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THE TIMES

Aircraft makers flights of ingenuity, page 17

Mrs Thatcher pledges no sellout on Ulster

The Prime Minister said last night that there was no sellout over Northern Ireland's constitutional position. Those who said otherwise were wrong or had chosen not to understand the purpose of the British Government's talks with the Irish Republic. The discussions, she told a dinner at Stormont, were aimed at securing peace and posed no threat to Ulster.

Reassurance on talks with Mr Haughey

By George Clark
Political Correspondent

Mrs Margaret Thatcher, on her first visit to Northern Ireland since her talks in Dublin with the Irish Prime Minister, went out of her way last night to give new assurances to the people of the province that there was no question of their not remaining citizens of the United Kingdom.

That would be so, she said, unless the Ulster people and the Parliament at Westminster decided otherwise. Obviously seeking to clear away suspicions that her talks in Dublin were in some way designed to change the constitutional position, she stated firmly: "That is the law of the land . . . It is fundamental to the Government's thinking.

"It is something to which I am personally and deeply committed. Let me say with all the emphasis at my command that there is no plot. There is no sell out.

"Those who argue otherwise have simply got it wrong and are choosing not to understand the purpose of my discussions with Mr Charles Haughey."

Mrs Thatcher, speaking in Stormont at a dinner given by Mr Humphrey Atkin, Secretary of State for Northern Ireland, said that everyone had a common interest in peace and reconciliation.

"We all have a common interest in creating a society where the gunman has no place and where he will no longer be able to kill and maim innocent people; and we all have a common interest in building better working relationships within these islands and within Europe."

Mrs Thatcher assured her audience that the discussions with the Government of the Irish Republic were directed towards those ends. "They pose no threat to Northern Ireland", she said. "We shall not be deterred by those who seek to invent one. We will not be deflected from serving the best interests of the people of the United Kingdom, including the people of Northern Ireland. Attempts at intimidation will fail. No one in Northern Ireland stands to gain from them. The rule of law must apply to everyone."

The Government's first priority, Mrs Thatcher said, was to protect the people of Northern Ireland from the bullet and the bomb. "The terrorists, whether they call themselves loyalists or republicans, have nothing to offer but heartbreak and bloodshed."

Great strides had been made in returning to normal policing in Northern Ireland, but the task was not yet done.

Often the operations of the Security Forces had to be shrouded in secrecy. That had made them targets for unfounded and ill informed criticism. Their critics should remember how many lives, since 1969, the police and the Army had laid down to protect the ordinary citizens of Northern Ireland.

"Our aim is to build a healthy and harmonious society in Northern Ireland", the Prime Minister said. The measures the Government took to deal with the terrorist minority must do nothing to damage the fabric of society.

"We need too, and increasingly we are getting, determined and effective cooperation from the authorities in the Republic of Ireland", she said.

There was again a hunger strike at the Maze prison in the quest for what was called political status. "There is no such thing as political murder, political bombing or political violence. There is only criminal murder, criminal bombing and criminal violence. We will not compromise on this. There will be no political status," Mrs Thatcher said.

During her speech the Prime Minister announced that electricity tariffs in the province would be brought more closely into line with those of England and Wales.

That was an important decision of principle, she said. "I believe it will be welcomed by commerce, industry and agriculture as well as by domestic consumers, as evidence that the Government is responsive to the needs of this part of the United Kingdom and as confirmation of the Government's economic commitment to the province."

Paisley protest, page 2

Mrs Thatcher at Stormont last night with Mr John Hume, leader of the Social Democratic and Labour Party.

Indian lathi charge: Police dispersing stone-throwing student demonstrators in the Gujarat city of Ahmedabad, where there is mounting protest against the reservation of university places for low-caste people.

The authorities have asked the inhabitants of Ahmedabad, the scene of considerable violence during recent weeks, to surrender their firearms to the police in the interest of order—Trevor Fishlock writes from Delhi. In the city of Baroda, western Gujarat, police wielding lathis broke up a protest rally of 2,000 schoolchildren yesterday. The children were supporting medical students who have been protesting for several weeks against the number of low-caste people being given places in medical schools under a caste quota system.

The demonstrating schoolchildren were dispersed by what police called "a mild lathi charge". A lathi is a cane about four feet long and over an inch thick.

Mr Heath to undergo medical treatment

By Our Political Staff

Mr Edward Heath, Conservative MP for Bexley, Sidcup, and Prime Minister from 1970 to 1974, announced yesterday that he is cancelling all engagements for two months to undergo medical treatment.

According to a close friend, he is being treated for a glandular complaint.

Mr Heath said that he had taken his decision with regret but on the advice of his doctors. On his behalf it was stated: "He will be resting at home or staying with friends while undergoing medical treatment which his doctors expect will lead to a complete recovery.

"Afterwards he will resume his full political and other activities."

Mr Heath was not in his usual form when he attended the reception at the Commons on Wednesday to mark the centenary of the Parliamentary Press Gallery. He said then that he was having to take things easy and had given up the prospect of yachting for some time.

Yesterday he addressed the British Consultants Association in London, his last public engagement before beginning his rest. He cancelled his engagement to address a Young Conservative dinner at St Stephen's Club in London last night.

Mr Heath entered Parliament in 1950. He became Leader of the Opposition and of the Conservative Party on August 2, 1965, after winning an overall majority on the first occasion on which the leader was chosen by an electoral process.

He resigned as leader of the party and the Opposition in February, 1975, when he failed to top the first of two ballots for party leadership. The ballot was won by Mrs Margaret Thatcher and when she formed her Government in February, 1979, Mr Heath declined to serve.

Tug in Channel chase after shots are fired

By Richard Ford

Nine men believed to be Dutch and Belgian were being questioned at Newhaven, Sussex, last night in connexion with alleged cannabis smuggling after customs cutters had chased a tug across the Channel.

The Panamanian-registered tug Sea Rover was boarded by British customs officers two and a half miles off Beachy Head after it had been fired on by a French warship and a fire had broken out at the stern. The vessel was escorted into Newhaven harbour by high-speed customs cutter Seeker and the quay was sealed off by police.

As the crew of the Sea Rover was taken ashore the bearded Dutch captain, wearing a hooded brown anorak, shouted: "I did not stop when requested to do so by the French naval vessel because I was in international waters."

"They opened fire and we dived for cover. Otherwise someone would have been killed. We have no drugs on board." One of the French Navy captains said: "We had instructions to intercept a boat. It did not stop so it was necessary to open fire."

Earlier three French customs vessels in a joint operation involving the British had followed the 80ft blue and yellow tug as she left Boulogne. She was intercepted but failed to heave to and customs cutters pursued her across the Channel.

When the French intercepted a shot was fired across the bow of the boat and then the funnel was riddled with shots. A fire started in the stern and the Sea Rover put out a distress call which was picked up by English coastguards. A man at Fairlight coastguard station, near Hastings said: "It was very exciting as we could hear what sounded like machine-gun fire as the May Day call came over.

"I heard a man saying 'The French are firing at me, the French are firing'. He said he was Dutch and that the shots were being fired while he was in international waters."

Mr Robert Marchant, a coastguard pilot who flew over the tug when she was five miles off Beachy Head said he saw the crew throwing flaming debris overboard.

The May Day call was cancelled after coastguards were told that a French warship was in the area and everything was under control but merchant ships were warned not to go to the tug. Monitoring techniques in Dover were able to track the ship's course.

As the unarmed British customs officers boarded the Sea Rover, the French customs cutters, with armed men aboard, and the French warship converged on the scene with an aircraft circling overhead. A spokesman for British customs said the Sea Rover had been intercepted just off the French coast and after she failed to stop was pursued across the Channel by British and French customs cutters.

Muslim peace mission reveals proposals for ceasefire in Gulf

From Tewfik Mishlawi
Beirut, March 5

A nine-member Islamic peace commission today publicized a list of proposals it had submitted to both Iraq and Iran for ending the 24-week Gulf war.

The proposals, which were carried by the official Saudi press agency, call for a cease fire on March 12 and an Iraqi troop withdrawal from Iranian territory to begin a week later, with the proviso that it will be completed within four weeks.

[President Bani-Sadr of Iran today indicated that his country was unlikely to accept the peace proposals. He insisted on an immediate withdrawal from Iran simultaneous with any ceasefire. (Report, page 6.)]

This is the first time that specific peace proposals have been made public by any mediators in the Gulf war since it began on September 22.

The members of the Islamic commission, which was set up by the Islamic Conference summit in Taif, Saudi Arabia, last January, are the Presidents of Guinea, Pakistan, Bangladesh and The Gambia, the Turkish Prime Minister, the Foreign Ministers of Senegal and Malaysia, the chairman of the Palestine Liberation Organization and the Secretary-General of the Islamic Conference Organization.

The commission is waiting in Jiddah for reaction from Iraq and Iran to the peace proposals.

The proposed ceasefire and withdrawal of Iraqi troops would be supervised by a military subcommittee from member countries of the Islamic Conference. Iraqi and Iranian claims and counter-claims to sovereignty over the controversial Shatt al-Arab waterway would be referred to a special arbitration committee of the organization.

According to the commission's list of proposals, the two warring countries are called upon to respect each other's sovereignty and territorial integrity, renounce the seizure of land by force, pledge not to interfere in the internal affairs of each other, accept the settlement of their disputes by peaceful means and guarantee free navigation in the Shatt al-Arab.

The proposals also stipulate that as soon as the ceasefire goes into effect, a special apparatus would be formed "under the aegis of the organization" to ensure free navigation in the Shatt al-Arab. A peacekeeping force from the Muslim organization could be established, if necessary.

Already the release of the peace proposals has revealed the sharp disarray among Iranian revolutionary officials—divided between the fundamentalist supporters of Mr Muhammad Ali Rajai, the Prime Minister, and the more moderate supporters of President Bani-Sadr.

One Iranian religious leader said today that Iran "should not accept anything less than the wishes of the nation, including the punishment of the aggressive Saddam Husain (President of Iraq) and the liberation of Iraq from its usurping government".

Mr Rajai, a strong rival of Mr Bani-Sadr, has repeatedly demanded that the war be continued until the last Iraqi soldier has left Iranian territory. He is expected to intensify his campaign against Mr Bani-Sadr, who himself has vehemently criticized the Prime Minister for the agreement he reached with the United States for the release of the American hostages last January.

Ayatollah Muhammad Hoseyn Beheshti, the head of the Supreme Court and the leader of the dominant Islamic Republican Party, said in a statement yesterday that accepting a ceasefire before Iraqi troops had withdrawn from Iranian territory would be tantamount to treason.

Iraq has not commented yet on the peace plan. Iraq started the war in the first place to establish absolute sovereignty over the Shatt al-Arab waterway. Accepting the peace plan as such would mean a significant concession. In contrast, the plan would assure Iran of a complete Iraqi troop withdrawal within four weeks.

Iranian intransigence, page 6
Leading article, page 13

Japan using robots to produce robots

From Peter Hazelhurst
Tokyo, March 5

While Western managers are still attempting to introduce the first generation of advanced technology into their factories, Fujitsu's new plant near Tokyo now has robots making robots.

At the same time Hitachi, the electronic company, has just mobilized 500 scientists and engineers to produce a new generation of robots. They will be able to see, feel and walk up and down factory floors to supervise other robots on automatic assembly lines.

"In five years we expect all blue-collar workers to disappear from the assembly line. Factories will be manned only by clerical staff and a few maintenance technicians", a spokesman for the company says. Workers will be retrained for other departments as business expands.

Fujitsu Fanuc Ltd, one of the world's most advanced producers of computerized industrial equipment and robots, goes even further. It hopes to realize an industrialist's ultimate dream in the near future: a factory without any workers at all.

At present, Fujitsu's new plant, resembling a scene out of science fiction, employs 100 workers. They come on duty for eight hours during the day to keep an eye on rows of sophisticated robots, which churn out new robots for 24 hours a day.

Lined up around the factory are dozens of "automated cells", each consisting of a numerically controlled machine-tool and a sophisticated, computerized robot. Copper wires embedded in the factory floor guide unmanned cars between an automated warehouse and various cells on the assembly line.

Raw material is automatically loaded on to the carts and carried to the appropriate cell. There it is shaped and finished by the computer and the numerically controlled machine tool, returned to the unmanned cart and automatically carried on to the next stage of production.

Workers return to the factory the next morning to complete

Continued on page 6, col 1

'Times' man gets press award again

By a Staff Reporter

Robert Fisk, Middle East correspondent of The Times, is today named for the second successive year as international reporter of the year in the British press awards. Phillip Knightley, of The Sunday Times, is journalist of the year.

Mr Fisk's citation says his international reporting, particularly his dispatches on the Iranian war, combined meticulous detailed work with first-class descriptive writing. He receives £250.

Aged 34, he has been with The Times since 1971. He was named reporter of the year by Granada Television in 1975 for his graphic accounts of the troubles in Ulster and it was his dispatches from Iran in the wake of the revolution that last year earned him the title of international reporter of the year.

He spent several weeks last September and October covering the war between Iran and Iraq. Before that he spent several months in Afghanistan reporting on the Soviet invasion. He is now back in Beirut covering Middle East affairs.

Jeremy Campbell, of The New Standard, and Peter Niesewand, of The Guardian, are commended in the international reporter section.

Mr Knightley is named journalist of the year for his investigations into the affairs of the Vestey shipping and meat companies. He wins £1,000 for what the judges called "the outstading series of 1980", produced after months of patient inquiry into the Vestey family fortunes.

Michael Binyon, Moscow correspondent for The Times, is also singled out. He wins the David Holden award (£250), created in 1978 in memory of the chief foreign correspondent of The Sunday Times, who was murdered in Egypt in 1977.

"Michael Binyon's reporting on Russia was one of the joys of the year", the citation says. "He combines hard reporting, descriptive writing and highly significant detail".

Mr Binyon, aged 36, has been Moscow correspondent for The Times since 1978.

Peter Evans, Home Affairs Correspondent of The Times, is commended under the specialist writer of the year award, and Harry Kerr, photographer with The Times, is commended under the photographer of the year award. Both receive £100.

The award for reporter of the year (£250) goes to a team of four from the Daily Express for their "professional handling" of the Iranian embassy siege.

The combined effort of Robert McGowan, Peter Hardy,

Continued on page 2, col 2

Thatcher economic policy 'not soundly based' all-party MPs' committee says

By John Whitmore
Financial Correspondent

With the Budget less than a week away, an influential all-party committee of MPs yesterday strongly criticized government economic policy, saying its medium term financial strategy "was not soundly based".

The committee described the medium term financial strategy, which sets out the basic framework of the Government's objectives through to 1983/84, as a "bold experiment".

Mr Edward du Cann, a leading Tory backbencher and chairman of the Commons Treasury and Civil Service Committee which drew up the report on monetary policy, said yesterday that the emphasis of the report was intended to be on the need for a more flexible approach by the Government.

The report concluded that the Government's hopes that it could rapidly influence expectations about wages and prices by setting out a medium-term path for monetary growth have been unsubstantiated.

There was even less chance that such a policy could have worked, given that the monetary targets set out have not been met and have therefore lost credibility.

The report stated that the influence of monetary policy on wage and price inflation did not appear primarily through the setting of targets or through expectations, but rather in the short term through the lowering of economic activity and the appreciation of the exchange rate.

Implicitly, the report suggested that the loss of output for any given reduction in the inflation rate was likely to be high under a monetary policy approach to economic policy.

The committee's report said, however, that there has been no "true monetarist" experiment by the Government. In spite of considerable efforts to meet its monetary objectives over the past year, the Government had not used either of its chosen policy instruments to the fullest extent possible.

It had moderated upward pressure on interest rates and decided against trying to cut the public sector borrowing requirement to the level it had stated was consistent with its monetary target.

The committee said that, while the readiness of the Government to announce medium and longer term objectives expressing its policy intentions was welcome, unforeseen external developments made achievement of immutable targets set for a period of several years difficult if not impossible.

The Government's medium term financial strategy had been "over-ambitious both in the first year and in setting specific targets for a four-year period. In any future financial and economic strategy it would be wise to allow for modification of the tactics in the light of developments".

Striking more deeply at the heart of the Government's economic approach, the committee stated that, although over the longer term the money supply and the price level appeared to move together, it had not been convinced by evidence of a direct causal relationship from growth in the money supply to inflation.

The committee also gave warning of the risks of subordinating fiscal policy to monetary policy in a period of recession. It said that, in a recession caused by a fall in private domestic demand, built-in automatic stabilizers tended to raise the public sector borrowing requirement, which in turn with unchanged interest rates might lead to an increase in monetary growth above target.

To raise interest rates or tighten the fiscal stance to try to maintain money supply targets might prove counter-productive, requiring additional sacrifices of output in order that anti-inflationary monetary targets could be met.

The committee welcomed signs that the Government may be moving away from using sterling M3 as the sole monetary indicator. But it said that any change to a monetary base system of control would have far-reaching consequences, and not least the increased volatility of interest rates.

Monetary base doubts, page 15
Financial Editor, page 17

Social Democrats and Liberals in first joint motion

Liberals and Social Democrats used proportional representation as a device to provoke debate in the Lords and thereby celebrated their first joint parliamentary motion. In the Commons the defectors got publicity from left-wing Labour criticisms urging them to resign and fight by-elections. The new group is to put up two speakers on different days during the Budget debates. The Government Chief Whip has forbidden Conservative MPs to make pairing arrangements with Labour MPs who have resigned their whip to become Social Democrats. The ban starts on Monday, and among those affected will be Sir Geoffrey Howe, Chancellor of the Exchequer Page 2

£6,000m CBI call

The Confederation of British Industry called for increased government spending totalling £6,000m over the next four years to restore industrial growth and reduce unemployment. Sir Terence Beckett, director-general, said there was a "real need" for the Government to recognize the problems of the economy Page 15

Murder trial confusion

A man dismissed his defence representatives at Birmingham Crown Court, questioned four witnesses himself, but before the court adjourned intimated that he wished to reengage his two counsel and solicitor. David Pagett, aged 31, a labourer, has denied murdering Gail Kinchin, aged 16, who died after being hit by three bullets fired by police officers Page 4

Spanish coalition idea discarded by Premier

Señor Calvo Sotelo, the Spanish Prime Minister, discarded any idea of forming a coalition government with the Socialists to strengthen democracy after the failed military coup attempt. At a meeting with Señor Gonzales, the Socialist leader, both sides stated their differing views. The Socialists, however, accepted Señor Calvo Sotelo's offer to maintain a dialogue on the basic issues of stabilizing democracy, terrorism and regional devolution Page 5

Poles under pressure

The Polish leaders have returned from Moscow with assurances of the Soviet leadership's extended trust but also a warning that the Russians expect them to move faster and more decisively against what is regarded as a dangerous trend in Poland. But they also face increased demands by their own party's rank and file for democratic reforms Page 6

England beat Barbados

England beat Barbados by 11 runs in the last over of a one-day match yesterday, after Gooch had underpinned the batting with 84 out of 207 for six. In the Barbados innings, Stevenson and Botham each took four wickets Page 10

Greece: A series of severe earthquakes rocked southern Greece, including Athens, causing widespread damage to village houses 5

Finance in the Arab World: A 12-page Special Report on the growth of banking and the impact of the oil surpluses

Classified advertisements: Personal, pages 22, 24; Appointments, 21; Car buyers' guide, 22

Liberals and Social Democrats use PR voting to celebrate first joint parliamentary motion

By Fred Emery
Political Editor

Liberals and Social Democrats in the House of Lords yesterday celebrated their first joint parliamentary motion since the Social Democrats defected from Labour.

Used briefly as a device to provoke debate, it urged the adoption of proportional representation in the 1984 election to the European Parliament, under the uniform system all EEC members expect to agree. After drawing Labour opposition and government reserve the motion was withdrawn.

In the Commons the defectors got publicity from a string of left-wing Labour interventions to the effect that they were "cheats" (Mr Robert Cryer) or "swindling the electors" (Mr Dennis Skinner) for not resigning and fighting by-elections.

At one stage the Speaker, Mr George Thomas, observed that there would be trouble for the Government if it tried taking power to declare writs for by-elections while MPs were still in the House and did not wish to leave it.

But Mr Cryer, MP for Keighley, claimed later that the Speaker had misunderstood him. He had been asking for a general resolution, not government writs, to make clear that those MPs who switched parties had an obligation to resign.

That is all, in effect, propaganda, although there is no question but that left-wing Labour MPs deeply resent the presence of the Social Democrats and wish Mr Michael Foot, Leader of the Opposition, to join in making things uncomfortable for them.

Outside the Chamber the Liberals and Social Democrats held their first weekly meeting to discuss parliamentary tactics and policy. They will put up two speakers on different days during the Budget debates, with Mr William Rodgers intending to speak for the Social Democrats.

The Social Democrats have also written to the Speaker asking for a room in the Commons. That matter is likely to be referred to the Commons Services Committee, where Labour's members could be expected to be uncooperative.

"Pairing" ban: Conservative MPs were last night forbidden by Michael Jopling, the Government Chief Whip, to enter into pairing arrangements with Labour members who have resigned their whip and become Social Democrats (the Press Association reports).

The ban starts next Monday. It will mean that all the Conservative MPs involved will have to remain in the Commons until all hours of the night whenever a vote, however unimportant, is contemplated.

Callaghan sympathy: Mr James Callaghan, the former Prime Minister, said in Washington yesterday that the Labour Party had swung too far to the lft and that he sympathized with many arguments of the Social Democrats (Reuter reports).

But he told a public affairs discussion group that he doubted that the party had a future.

Civil Service strike will affect public services, airports and Nato exercise

Lord Soames stands firm on 7% pay limit

By David Felton
Labour Reporter

The Government yesterday reaffirmed its determination to restrict pay increases to civil servants to 7 per cent. Meanwhile, union leaders said they were confident that more than 400,000 white-collar staff would be on strike on Monday.

Against the background of the one-day strike, which will cause widespread disruption to public services, Lord Soames, Lord President of the Council and minister responsible for the Civil Service, told the Lords last night that 7 per cent was "simply as far as we can go".

He went on: "There are many people in private industry who would feel that such an offer at this time could be classed as a good one, given the general economic climate and the relative job security that civil servants enjoy".

He said other groups of workers, such as a million local authority manual staff and teachers in England, Wales and Scotland, had shown they were prepared to settle at about the same level within the 6 per cent cash limit imposed by the Government.

Lord Soames emphasized the Government's willingness to restructure the pay research system which governed civil servants' pay before it was suspended last year. He said the system "no longer commands general confidence" and welcomed discussions with the unions on a future system.

The nine unions, representing 530,000 white-collar staff, are insisting that as well as increasing the pay offer the Government should give a firm guarantee on a new pay system based on comparability for next year's negotiations.

It became clear last night that in addition to the closure of all the biggest airports in the United Kingdom because of Monday's strike, driving tests, flood control and House of Commons operations may be affected.

Mr William Kendall, secretary-general of the Council of Civil Service Unions, said that the Government had shown "bungling incompetence" in its handling of civil servants and had not been able to offer the unions any guarantees on an orderly system of future pay bargaining.

He predicted that about 80 per cent of the unions' members would not report for work on Monday as an indication of their hostility towards the Government's "dismissive" attitude to the Civil Service.

The unions have argued that the Government would be able to increase the pay offer to double figures because of projected underspending on pay.

They also claim that during negotiations the Government has mentioned the possibility of diverting funds from areas of its operations where it remains well within its budget, to help to fund a pay increase for white-collar staff.

Government officials said last night that all possibilities had been considered, and 7 per cent was the most the country could afford for Civil Service pay increases.

Parliamentary report, page 8
Letters, page 13

Mrs Buchan: "Taxpayers are subsidizing Etonians".

Eton getting subsidized EEC butter

By George Clark
Political Correspondent

Eton College has been receiving cheap butter for the last six years through an EEC scheme for charitable organizations, hospitals and nursing homes. It has probably saved about £10,000 a year on food bills.

That allegation, based on information obtained by Mrs Janey Buchan, Labour MEP for Glasgow, is made in the latest issue of *Labour Weekly*.

Eton, as the bursar's office of the school confirmed, is one of many charitable organizations taking the benefit of a scheme operated by the EEC intervention board for agricultural produce, based in Reading, not far from the college.

The scheme was devised, for application in EEC countries, to dispose of the huge butter surplus by means of cut-price sales to charities, hospitals, nursing homes and schools in both the public and the private sector.

According to the paper, the 1,200 pupils at Eton, whose parents pay £3,500 a year in fees, are entitled to about 450lb of butter each week at 32p a pound. The housewife pays 36p to 38p for a half a pound.

Mrs Buchan said: "Taxpayers are subsidizing butter for Eton pupils, while every day we hear local authorities are cutting school meals services. Will the Tories with children at Eton complains as loudly about this as they did when Community butter was sold to Russia?"

According to Labour Weekly, the bursar's office at Eton College said the school has been making applications to the intervention board since 1974, but it would take quite a time to work out how much the school had received.

Heart patient dies

Mr William Tromans, aged 44, from Dudley, West Midlands, who had a heart transplant at Papworth Hospital, near Cambridge, two months ago, has died. He was the seventh of the hospital's 17 transplant patients to die.

Fairness over ban on marches is pledged

By Hugh Noyes
Parliamentary Correspondent
Westminster

There was widespread support in the Commons yesterday for Mr William Whitelaw's decision to agree to the request from Scotland Yard to ban all political marches in London until the end of the month.

Some Tory MPs, however, urged the Home Secretary to ensure that he was seen to be completely evenhanded in dealing with organizations of the right and the left. Otherwise, he would simply add to the discontent, according to Mr Alan Clark, Conservative MP for Plymouth, Sutton.

There could be nothing more overtly racist and criminal, Mr Clark said, than the behaviour of the young thugs in the march through Southwark on Monday, when they broke into shops, terrorized the white population and shouted objectionable slogans about the monarchy.

Mr Whitelaw's replies to both sides of the House showed him to be admirably evenhanded, in the best traditions of the Home Office. The march on Monday distressed everyone, and it was only fair to say that it distressed some of its organizers, he said.

Explaining his ban on marches, which will have the effect of preventing the National Front march planned for tomorrow, which would have gone past the house in Lewisham where 13 young black people died in a fire six weeks ago, the Home Secretary told MPs that there had to be clear evidence of a risk of grave public disorder.

There could be no question of a chief officer of police applying for a ban, or of the Home Secretary granting one, on the basis of liking or not liking a particular organization.

Although he was not in favour of banning marches, there were times in the public interest when that had to be done.

Mr Whitelaw pointed out that under the public order Act neither the police in their application for a ban nor he as Home Secretary could pick and choose within a police area. It had to be a total ban throughout the whole of the Metropolitan area.

Lewisham alert: Police are standing by for possible trouble in Lewisham on Saturday despite the ban on the National Front march there (the Press Association reports).

Senior Scotland Yard officers are taking into account a statement last night by the Anti-Nazi League which calls on "all anti-racists to come on to the streets of Lewisham this Saturday and oppose them".

Seal protest goes on: Organizers of a big march in protest against seal hunting planned for Monday said yesterday that their protest would go ahead despite the ban.

Parliamentary report, page 8

TGWU change may end party crisis

By Paul Routledge
Labour Editor

A move out of the Labour Party's constitutional crisis was quietly set in motion last night by its largest trade union affiliate.

The Transport and General Workers' Union, whose votes have been consistently cast for left-wing policies on constitutional reform, indicated that its 1,250,000 block vote might eventually be cast for a formula giving Labour MPs half the votes in elections for the party leader.

The crisis of political conscience in the union is to be taken up at a special executive meeting on May 14, before talks a month later on the union's political attitudes.

In private the union's leaders are talking about an accommodation that will bring Labour MPs and the unions into an agreement on the voting pattern for an electoral college that gives MPs half of the available votes, with the rest divided between constituency Labour parties and the unions.

That 50-25-25 formula is re-emerging as a compromise between the unions and Labour MPs. Once the prospect of the transport workers' union support for such a formula becomes public, it is likely to attract a large measure of support.

Package holiday flights may beat air strike

By Arthur Reed
Air Correspondent

Some package holiday airlines are hoping to maintain their normal timetable of flights from provincial airports in Britain on Monday, when many air services will be affected by a strike of Civil Service unions, including air traffic controllers.

Some such airports, including Luton, Bournemouth, Newcastle, Teesside and East Midlands, have their own air traffic control staff, who are not affected by the dispute, which is over a pay claim.

Thomson Holidays and Cosmos, two of the biggest package tour companies, have told passengers booked with them to go to those airports on Monday. Thomson said they planned to make 20 flights with a total of 2,200 holidaymakers to ski resorts and Mediterranean beach resorts from 11 regional airports on the day of the strike.

Thomson said: "We are telling people to turn up as normal, and we are hoping that by the end of Monday everybody will get away".

Heathrow and Gatwick, the two main airports serving London, will be most affected by the strike. Britannia Airways, which specializes in package holiday flights, said yesterday it intended to take passengers due to fly on its services from Gatwick, to Bournemouth airport.

Passengers due to leave on holiday flights from Glasgow and Edinburgh airports, which will also be affected by the strike, will be taken by coach to Newcastle.

Heathrow and Gatwick airports will be closed from one minute past midnight on Monday morning until one minute to midnight on Monday night.

Monday's action a threat to alliance war game

By Henry Stanhope
Defence Correspondent

The strike on Monday by civil servants may complicate the start of Wintex-81, Nato's biggest command post exercise for two years, in which civil and military decision-makers practise their wartime procedures.

The Ministry of Defence is hoping, however, that the effects can be kept to a minimum.

The "paper exercise", which will last for two weeks, is the sixth in the Wintex series and the details are always classified as secret. Although other similar war games by the alliance's top people are held from time to time, Wintex, which takes place every two years, is by far the most important.

Ministry of Defence officials are privately relieved that the strike coincides with the first day of the fortnight, when the "crisis" opens in a relatively low key. It would be far more embarrassing for them if they were expected to down pens in a fortnight's time, when they will have to rehearse Britain's role in a nuclear confrontation.

All Nato countries take part in Wintex, which this year has been given added point by the recent crises in the Gulf, Afghanistan and Poland.

Few, if any, troop manoeuvres are involved. But Britain's main military headquarters as well as the ministry itself will take part as commanders practise the procedures which would gradually place the country on a war footing.

One official said: "As Wintex is an exercise in crisis management, one might argue that a strike by the Civil Service is not a bad way to start. Most Whitehall departments will be involved in the exercise to a greater or lesser extent."

First water workers accept 13%

By Our Labour Staff

Water and sewerage workers in Yorkshire yesterday became the first to accept the 13 per cent pay offer from the employers; that led national union officials to believe that the offer would be accepted by all 32,000 manual workers in England and Wales.

A conference of delegates representing about 1,700 members of the General and Municipal Workers' Union (GMWU) in Leeds voted to accept the offer, which had been strongly recommended by the union leadership.

Earlier in the day more than 200 members of the same union in Lancashire decided to continue their unofficial strike in protest at the offer. Despite strong appeals from union officials to return to work, strikers in the Oldham, Rochdale and Ashton area voted to continue action.

The Lancashire workers are the only water employees still on strike, after workers in the north-east and parts of Yorkshire decided to return to work, but there are still small pockets of resistance in parts of England and Wales.

Mr Edmund Newall, national officer of the GMWU and chief negotiator for the four unions in the industry, said last night that the offer was reasonable in the circumstances.

Further GMWU delegate conferences are to be held over the next week and an indication of workers' support for the 13 per cent offer is likely to appear at the conference of Midlands delegates today. The region, which covers five counties in the East Midlands, is regarded as a barometer of opinion throughout the country.

Last night it appeared that today's vote would be very close, and workers in several areas have mandated their delegates to regional conferences to reject the offer.

Power men reject offer of 11%

By a Staff Reporter

Pay talks for 96,000 power supply workers were adjourned last night after union leaders refused to accept pay rises of about 11 per cent.

The unions say they will not settle for less than the 13 per cent deal agreed in the coal mining industry.

Union leaders do not expect any immediate action from their members because the Electricity Council promised to look at their figures and meet the unions again on April 2.

Mr John Edmonds, the union negotiators' secretary, said yesterday: "If we do not receive a better offer on April 2, we shall be moving into a very dangerous situation."

Fixed fines for drivers are backed

By a Staff Reporter

Proposals by a working party for Continental-style fixed penalty fines for a wide range of traffic offences were welcomed yesterday by motoring organizations, the Magistrates' Association and the Police Federation.

Under ideas formulated by a joint working party from the Department of Transport, the Home Office, the Lord Chancellor's Office and other organizations, the number of motoring offences coming before the courts could be cut by 500,000 annually, leaving magistrates to handle more serious matters.

The fines for offences such as speeding, failure to observe a policeman's traffic directions, and many prohibited vehicle defects, would be administered by a system similar to that for parking tickets. However, the proposals being considered by Mr Norman Fowler, Secretary of State for Transport, would not include serious offences.

Michael Binyon (left) and Robert Fisk: Reporting skills praised.

'Sunday Times' man is columnist of year

Continued from page 1

Ian Black and Peter Mason "was clearly and competently written and projected with flair", the judges say. Aileen Ballantyne, of *The Guardian*, and Barrie Penrose, Colin Simpson and Simon Freeman of *The Sunday Times*, are commended in the same section.

The award of columnist of the year (£250) goes to Hugo Young, of *The Sunday Times*, for "his consistently high standard of political commentating. He is illuminating and always well informed." His colleague, Godfrey Smith, and Katharine Whitehorn of *The Observer* are commended.

Paul Foot, of the *Daily Mirror*, is named campaigning journalist of the year (£250) and Denis Lehane, of *The Sunday Times*, is commended.

Peter Heyworth, of *The Observer*, is critic of the year. Stephen Games, of *The Guardian*, Keith Newbery, of the Isle of Wight *Weekly Post*, and Jack Tinker, of the *Daily Mail*, are commended. Other awards are:

Provincial journalist of the year (£250): Simon Bain, "The Star", Sheffield. Commended: Michael Grundy "Evening News", Worcester, and Ruth Wishart, "Sunday Mail", Glasgow.

Cartoonist of the year (£250): Jon of "The New Standard. News photographer of the year: Frank Barrett. "Daily Star".

Young journalist of the year (£250): Lionel Barber, "The Scotsman". Commended: Roger Harrabin, "Coventry Evening Telegraph", and Jonathan Margolis, "Yorkshire Post".

General feature writer of the year (£250): Oliver Pritchett, "The Sunday Telegraph". Commended: Max Hastings, "The New Standard", Simon Hoggart, "The Guardian", and Ann Leslie, "Daily Mail".

Sports journalist of the year (£250): Mike Langley, of "The Sunday People". Commended: Brough Scott, "The Sunday Times", and James Mossop, "Sunday Express".

Specialist writer of the year (£250): Anatole Kaletsky, "Financial Times". Commended: John Whale, "The Sunday Times".

Photographer of the year (£250): John Downing, "Daily Express".

A special award is made to Graham Wiles and Chris Bye, of the *Yorkshire Evening Post*, for their diligence and determination in pursuit of a story

Union hands over delayed letters

The National and Local Government Officers' Association said last night that its members had handed over all the letters they had held up at Lambeth town hall, London, as part of industrial action over the sale of council houses.

"Until the dispute is resolved, members will still refuse to process applications, and it is unlikely that houses will be sold", the union said.

Dublin mayor is kicked as Paisley group protests

From Christopher Thomas
Belfast

A good will visit by councillors from Dublin was disrupted in a rowdy demonstration in central Belfast yesterday by the Rev Ian Paisley and several of his supporters.

Mr Fergus O'Brien, Lord Mayor of Dublin, was kicked and jostled as Mr Paisley and his followers burst through the security gate at the Europa hotel, where the delegation had arrived for lunch with their civic hosts.

Mr John Carson, Lord Mayor of Belfast, was also kicked as the demonstrators occupied the central foyer. The police arrived in strength.

The delegation, which was held up by a bomb alert on the Dublin-Belfast railway line, was to have lunched at the City Hall but made a sudden diversion to the Europa in the hope of avoiding the demonstrators. The ploy did not work and the Dublin delegation was greeted with several dozen placards and shouts from Mr Paisley of "Go home".

Mr Paisley said later: "These men are from parties in Eire who claim territorial rights in Ulster and give sanction to men of violence."

Mr Brendan Lynch, one of the Dublin councillors, said he was twice shouldered by Mr Paisley, and so he retaliated.

Abolition of the Monarchy would lose votes, MP says

By Our Political Staff

A leading article in last week's *Labour Weekly* suggesting that the party could turn its attention to the Monarchy when it had abolished the House of Lords is derided in this week's issue by Mr Jeffrey Rooker, a left-winger and spokesman on social services.

"I cannot think of any more irrelevant, vote-losing and time-wasting political issue for Labour to raise on the agenda than the Monarchy", he says and challenges Mr Donald Ross, the editor, to say why he raised the matter.

Mr Rooker, MP for Birmingham, Perry Barr, also questions the authority on which Mr Wedgwood Benn suggested at last year's party conference that up to 1,000 Labour peers could be created to pass crucial legislation

Mr Rooker discloses that no practical work has been done by the party machine on the Lords issue

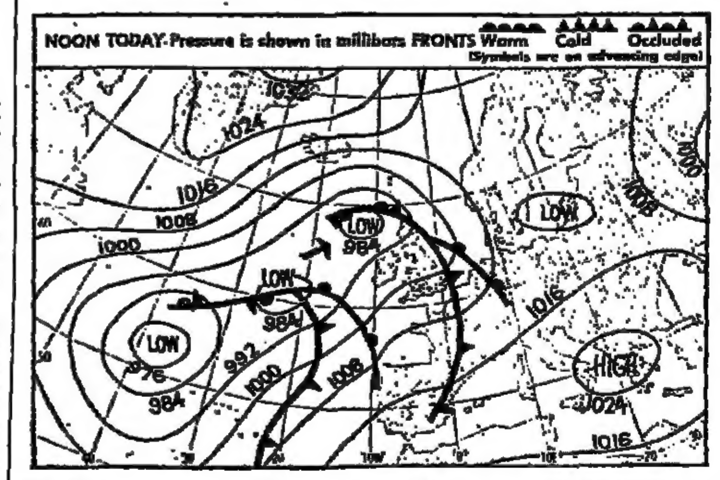
Government help for new Bill on the disabled

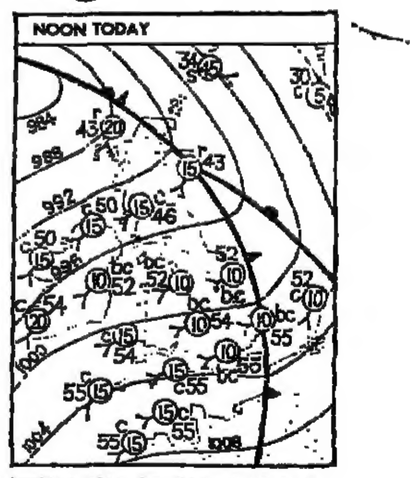
By Our Political Staff

The Government is prepared to give every assistance to Mr Dafydd Wigley, Plaid Cymru MP for Caernarvon, in the preparation of a new Bill to replace his Disabled Persons Bill, designed to make further provision for access to public buildings by disabled people.

Mr Pym, Chancellor of the Duchy of Lancaster and Leader of the Commons, gave that assurance to Mr Wigley yesterday in the Commons. He said that the new Bill would reflect the terms of a Commons motion which had been signed by 324 MPs. That calls for legislation "to help safeguard the provision of suitable means of access for disabled persons to buildings used by the public".

Weather forecast and recordings





b—blue sky; bc—half clouded; c—cloudy; o—overcast; f—fog; d—drizzle; h—hail; m—mist; r—rain; s—snow; th—thunderstorm; p—showers; pr—periodical rain with snow. Wind speed in mph.

Today

Sun rises: 6.35 am
Sun sets: 5.50 pm
Moon rises: 6.56 am
Moon sets: 5.57 pm
New Moon: 10.31 am
Lighting up: 6.20 pm to 6.03 am
High water: London Bridge, 1.37 am, 7.1m; 2.02 pm, 7.4m. Avonmouth, 7.14 am, 13.5m; 7.37 pm, 13.6m. Dover, 10.45 am, 6.6m; 11.11 pm, 6.8m. Hull, 6.17 am, 7.3m; 6.25 pm, 7.7m. Liverpool, 11.12 am, 9.6m; 11.36 pm, 9.4m. 1ft = 0.3048m 1m = 3.2808 ft

Frontal troughs will cross N and E areas as a mild SW airstream becomes established.

Forecasts for 6 am to midnight:
London, SE Central N, Central S, E, NW, NE England, East Anglia, Midlands, Lake District, SW Scotland, Glasgow, Argyll: Outbreaks of rain clearing, becoming dry with sunny intervals; wind S, fresh veering SW, moderate; max temp 11° to 13°C (52° to 55°F).

Channel Islands, SW England, Wales, Isle of Man, N Ireland: Sunny intervals, becoming cloudy, rain later; wind SW, moderate, increasing to strong: max temp 11° to 13°C (52° to 55°F).

Borders, Edinburgh and Dundee, Central Highlands, NW Scotland: Outbreaks of rain, snow on hills, becoming brighter and drier; wind SE, fresh to strong, veering SW, moderate; max temp 9°C to 10°C (48° to 50°F).

Aberdeen, Moray Firth, NE Scotland, Orkney: Sleet or snow turning to rain, becoming drier; wind SE strong, veering SW moderate; max temp 6° to 7°C (43° to 45°F).

Shetland: Sleet or snow, heavy at times, moderate accumulations; wind SE, strong to gale; max temp 2°C (36°F).

Outlook for tomorrow and Sunday: Unsettled and mild; all areas will have outbreaks of rain but also sunny intervals.

Sea passages: S. North Sea, Straits of Dover, English Channel (E): Wind S to SW, fresh or strong; sea rough.

St George's Channel, Irish Sea: Wind SW, moderate or fresh; sea moderate.

Yesterday

London: Temp: Max 6 am to 6 pm, 5°C (41°F); min 6 pm to 6 am, 3°C (37°F). Humidity, 6 pm, 62 per cent. Rain, 24 hour to 6 pm, nil. Sun, 24 hour to 6 pm, nil. Bar, mean sea level, 6 pm, 1,010.2 millibars, steady.
1,000 millibars = 29.53in.

WEATHER REPORTS YESTERDAY MIDDAY: c, cloud; f, fair; r, rain; s, sun; sn, snow.

[illegible]

Overseas selling prices
Australia $2; Austria Sch 20; Bahrain BD 0.650; Belgium B frs 35; Canaries Pes 100; Cyprus 450 mils; Denmark Dkr 5.50; Dubai Dir 7.00; Finland Mkk 5; France Frs 4.50; Germany Dm 3.00; Greece Dr 50; Holland Gl 2.50; Iran IR [illegible]; Iraq ID 0.500; Irish Republic [illegible]; Italy L 1100; Jordan LD 0.325; Kuwait KD 0.350; Lebanon LL 4.00; Luxembourg Lf 35; Madeira Esc 50; Malta 20c; Morocco Dir 5.00; Norway Kr 6.00; Oman OR 0.700; Pakistan Rps 10; Portugal Esc 50; Qatar QR 7.50; Saudi Arabia SR 3.25; Singapore $4.5; Spain Pes 100; Sweden [illegible]; Switzerland [illegible]; Tunisia [illegible]; USA [illegible]; Yugoslavia Din 40.

[illegible]

Cool Rowland response to NUJ

By Donald Macintyre
Labour Reporter

Journalists of *The Observer* have been told by Mr Roland "Tiny" Rowland that he views with particular concern the possibility that Lonrho's bid to buy the paper should be referred to the monopolies commission.

In a letter to the newspaper's National Union of Journalists' chapel Mr Rowland makes clear that he is seeking an assurance that it recognizes that if the paper fails to make profits "the proprietor will require changes to be made within the organization in order to redress any possible failure of the paper".

While reaffirming oral assurances of the continued editorial independence of the paper under prospective Lonrho ownership, Mr Rowland's letter, sent on Wednesday, shows a cool response to some of the chapel's detailed demands.

The journalists voted last week to accept Lonrho ownership provided acceptable written guarantees of editorial independence were granted. This week they voted for the bid to be referred to the monopolies commission.

Mr Rowland says that his company believes that "commercial viability is the best protection of editorial independence and vice-versa".

The letter adds that in order to protect *The Observer* from political or other extraneous pressures, Lonrho agrees to the inclusion of independent directors on the board and is willing to consult with the NUJ chapel to that end, but rejects the inclusion of journalists on the board, and cannot abrogate its ultimate responsibility for selecting the editor.

Among the assurance Lonrho seeks from the chapel are a welcome for the company's proprietorship and that it will support the company aim for a "viable and commercial profit-maker".

In a sheet appended to the correspondence Mr Rowland says that in 1955 "before Thomson acquired *The Sunday Times*, *The Observer* circulation "was only some 40,000 less at 564,000, today it is 500,000 less".

Last night the chapel passed a resolution welcoming Lonrho's speedy response to this week's resolution and saying it was encouraged by the agreement in principle on several editorial safeguards.

But it criticized the "unhelpful response of Mr Rowland" on calls for an independent *Observer* trust, a say by the journalists in the appointment of the editor and journalistic representation on the board.

It expressed readiness to cooperate with management plans to increase the newspaper's circulation.

'Observer' deal not yet sent for government approval

By Our Political Editor

Lonrho has not yet formally applied for government consent to its proposed purchase of *The Observer*, it was learnt last night. It appeared that an application might be made early next week.

Mr John Biffen, Secretary of State for Trade, whose consent is required, yesterday for the first time met Mr Roland "Tiny" Rowland, chairman of Lonhro, with other Lonrho board members, including Lord Duncan-Sandys and Mr Edward du Cann, Conservative MP for Taunton.

It is understood that Lonrho has no wish for its proposal to be referred to the Monopolies and Mergers Commission and there is little doubt that this has been discussed with the Department of Trade.

In the Commons Conservative and Liberal backbenchers have Joined Labour MPs in calling for a reference to the commission.

In a motion signed by Mr Geoffrey Johnson Smith, Conservative MP for East Grinstead, Mr Nicholas Baker, Conservative MP for Dorset, North, and Mr Stephen Ross, Liberal MP for the Isle of Wight, the MPs also asserted that the newspaper's editorial independence should be safeguarded.

Mr Biffen was also challenged to refer the bid to the monopolies commission by Mr John Smith, Labour's shadow trade secretary. In a letter he said he was concerned by press reports that the terms of the sale were being rearranged to make it more difficult for a reference to be made.

The silent Irish MP dies aged 51

Mr Frank Maguire, Independent MP for Fermanagh and South Tyrone, died in hospital in Enniskillen yesterday.

Mr Maguire, aged 51, who lived above the public house he owned at Lisnaskea, was an outspoken critic of conditions for Irish prisoners in Northern Ireland and Britain.

Mr Maguire captured the seat in the October, 1974, election, and increased his majority in 1979.

Crucial occasions: Mr Maguire is remembered most at Westminster for his almost complete absence as an MP—except for the crucial occasions when his vote might have spelt the end of the last Labour Government (Our Political Editor writes). It finally did so by an irony on March 28, 1979, when he flew all the way from his public-house to abstain on the crucial confidence division which the Callaghan Government lost by one vote.

Had he voted with Labour, as he had frequently done, the tied vote would have been decided in Mr Callaghan's favour by the Speaker's casting vote. He never made a Commons speech nor put a question, but on rare occasions was known to have intervened briefly, usually from a sedentary position.

May 1979
Fermanagh and South Tyrone

F. Maguire (Ind)	22,398
E. Ferguson (Off U)	17,411
A. Currie (SDLP)	10,785
R. Baird (UUUP)	10,607
P. Acheson (Alliance)	1,070
Ind maj	4,987

Obituary, page 14

Counties are accused of subservience in education policies

By Diana Geddes
Education Correspondent

A bitter attack on the alleged subservience of the Association of County Councils (ACC) to the will of the Government was made yesterday at a meeting of the Association of Metropolitan Authorities' education committee.

Sir Ashley Bramall, leader of the Inner London Education Authority, said that a joint local government view on educational *matters had become virtually* impossible "because the Association of County Councils takes the view that it must do what *the Government* says".

The ACC clearly regarded its loyalty to the Government as superior to its loyalty to local government. Sir Ashley added that no one was suggesting that the Labour-controlled AMA and the Conservative-controlled ACC should see eye to eye on every question.

"What I am talking about is a situation where we have all up to a certain *point said one* thing, and then the ACC suddenly disagrees because the Government has put pressure *on it—and it capitulates completely*", he said.

He gave as examples the ACC's *report* for the new block *grant arrangements* for the rate support grant, the acquiescence to the 6 per cent pay limit in the public sector, and its agreement to open the negotations on teachers' pay with a 4 per cent offer.

The Council of Local Education Authorities (CLEA), which is supposed to present a united local government voice on education in the AMA's and ACC's negotiations with the Government, was now "the voice of the Government's penetration into local government", he said.

Mrs Angela Rumbold, former Conservative chairman of the AMA's education committee, begged the AMA not to sever its relations with the ACC, "otherwise higher education will be taken away from local government, and that will be the beginning of the end of local government".

Mrs Rumbold was referring to leaked Government proposals to remove all higher education from local authorities and to put it under the financial and administrative control of a single national body for higher education in the public sector. *The proposals are due to go to* the Cabinet before Easter.

The committee passed by 20 votes to 10 a motion calling on the AMA to "critically examine its policy on cooperation with the ACC, including its participation in CLEA". Voting was strictly along party lines, with Conservatives voting against the motion.

Schools Council review: Mrs Nancy Trenaman, principal of St Anne's College, Oxford, has been appointed by the Government to carry out a review and to make recommendations on the functions, constitution and methods of work on the Schools Council.

Ken Goodwin (centre), star of "That's Showbiz", with Mr and Mrs Kendall-Lane, its producers, in London yesterday.

Producer wins a round in fight to stage Sunday shows

By Martin Huckerby
Theatre Reporter

Mr Stephen Kendall-Lane, the producer of *That's Showbiz*, yesterday won a new round in his fight to present Sunday performances of the variety show. He gained a High Court injunction aimed at preventing Equity, the actors' union, from stopping the Sunday shows in London.

On Wednesday the London Theatre Council, formed by Equity and the Society of West End Theatre, found Kendall-Lane Productions in breach of the agreement governing West End productions, and deregistered the company as a producer. Equity yesterday issued a further instruction to its 32 members in the cast of the show that they should not perform on Sundays.

However, in the High Court Mr Justice Mais granted an injunction restraining the council and its agents, specifically Equity, from acting on the deregistration decision.

Mr Philip Saunders, Mr Kendall-Lane's solicitor, said last night that a writ would be served on Equity today. The effect of the injunction was to prevent Equity from interfering with the show.

The injunction has delighted the cast in the show at the Phoenix Theatre, who are happy to perform on Sunday in return for having Monday and Tuesday off.

That's Showbiz has been attracting poor audiences early in the week but better houses at the weekend, so Mr Kendall-Lane decided to present a Sunday show. The first one, last Sunday, drew an audience variously estimated as 180 or just over 300; the theatre seats about 1,000.

£2,500 for woman butted by Welsh ram

From Our Correspondent
Llandudno

A woman was awarded agreed damages of £2,500 in a civil action in the High Court at Caernarfon yesterday as compensation for being attacked by a ram

Mrs Eva Hughes, aged 37, of Bronrallt, Llangaffo, Anglesey, had been butted repeatedly by a young Welsh mountain ram when she walked along a country road near her home in 1977. *She had alleged that* Mr Robert Wyn Jones, a smallholder of Llangaffo, had been negligent in allowing the ram to *be on the highway*.

Mr Alex Carlisle, her counsel, told Mr Justice Russell: "I am pleased to be able to tell you that both parties have come to terms and that you will not be troubled by the case of the ram that rammed".

After he had mentioned the terms of the settlement, Mr David Clark, who represented Mr Jones, retorted: "On behalf of the ram, I agree".

Mrs Hughes suffered a broken leg and was in hospital for a fortnight and required bone grafting.

"It was a terrible ordeal I will never forget", she said after the case.

"The ram butted me in the knee and I fell over. I managed to drag myself along the road and rolled over a low wall into a field to try and get away from him. But then he jumped over into the field and butted me again several times."

Housing in crisis, 3: New life for old

Renovation seen as an answer in two towns

By John Young

Despite its years of decline, and its seemingly intractable economic difficulties, Liverpool remains a great if troubled city. In contrast Newport, a few miles inside south Wales, is a town of few distinctive features, if one expects a rather imposing civic centre.

What both places have in common is a profusion of small terrace houses, built to what now seem cramped and spartan standards, which have survived both wartime bombing and postwar comprehensive redevelopment.

Mr Barry Natton is chief executive of one of Britain's largest housing associations, Merseyside Improved Houses. The association was founded in 1928, but its main impact has been only recent. Twelve years ago it had a mere 300 properties; today it owns and manages more than 7,000.

It has been particularly active in the inner area, where nearly a third of the population is of pensionable age. A typical small house is occupied by private tenants and has been virtually neglected for the past 50 years.

The acquisition and modernization of such houses has been one of the association's principal aims. It is not a profitable business. The Housing Act 1980 permits rent increases in two stages to what is deemed a fair level, but even then, Mr Natton says, income falls far short of costs.

"Effectively we have to write off the capital. We have been criticized as extravagant, and I would be the first to admit that associations are an expensive means of providing housing. But we are doing a job which local authorities have failed to do."

The Government's order last September to halt all further capital spending has had a particularly bad effect on so-called staged contracts, where tenants have been moved into temporary accommodation on the understanding that they would be able to return to their renovated homes within four to five months.

"Now we have to tell them that we are sorry but we don't know when they can go back", he says. "In other cases we have had to leave people where they are, with rents as low as 28p a week which we are reluctant to increase until we have actually done the improvements."

He is scathing about what he calls the "nanny attitude" of Department of the Environment civil servants which, *he claims*, has had a grave effect on morale. "At present we have architects and draughtsmen *working on schemes which* we don't know yet will be allowed to go ahead.

"We have been told we can proceed with one or two schemes provided the cost is kept to last September's levels, which is exploiting builders who are desperate for work.

"We don't even know our allocation for next year."

Two hundred miles south, Newport council has for some years been operating what is, in relative terms, probably the largest and most ambitious renovation programme by any local authority in Britain. Of 45,000 houses in the town, 10,000 are in designated housing action areas and general improvement areas, and work is at present under way on 3,000.

Some Labour councillors have found it hard to rid themselves of the ingrained belief that it is the council's primary duty to build new housing. But on the whole, according to Mr David Brightmore, who is in charge of the programme, there is now a "political commitment" to renovation.

Next: Aylesbury

Tory MP seeks fourth TV channel delay

By David Hewson

A Conservative backbencher called yesterday for the fourth television channel to be postponed on the ground that it could lose the Exchequer £75m a year in commercial television revenues.

After being *told in the* Commons that the Government was pressing ahead with the planned start for the channel in *the autumn of 1982, Mr John* Watson, MP for Skipton, said he would be consulting other backbenchers about continuing the campaign for the channel's postponement.

The profits of the independent television companies this financial year would be about £108m, of which £81m would go to the Exchequer in the form of levy, Mr Watson said. According to industry estimates, in 1983-84 the difference between income and expenditure would fall to about £10m because of Channel Four, its Welsh service and the introduction of commercial breakfast *television*.

GPs and dentists to work at department store

By Nicholas Timmins

Debenhams, the department store group, has reached agreement in principle with the British Medical Association and the British Dental Association to set up surgeries for doctors and dentists at its Oxford Street store in London, near an optician's already installed there.

The group will consider extending the idea to about 50 of its 71 stores if the Oxford Street scheme is successful.

Mr Robert Foster, a Debenhams executive, said yesterday that final plans had still to be submitted to the BMA. He hoped the new surgeries would open within three to six months.

Clinics plan: Air-Call, the communications company that runs the business side of the BMA's deputizing services, is considering launching private general practice from two clinics in north London.

Arts college clash on cuts

By Our Theatre Reporter

Dr Richard Hoggart, the warden of Goldsmiths' College, London, and vice-chairman of the Arts Council, has agreed to speak to an open meeting of students at the college later this months. It results from the picketing of a lecture due to have been given by him on Wednesday, by students protesting at cuts made by the council recently.

The students' union at Goldsmiths' passed a motion last week criticizing him for condoning the removal of grants to 41 arts organizations. The picket was organized for a *lecture he was due to give to* the college's drama department and the lecture was cancelled.

Dr Hoggart said yesterday that he had agreed to meet the students, and to answer questions, if they withdrew the motion.

Mr Paul Blackman, a member of the students' union council, said that had been done, pending the meeting. Many of the students could be affected by the Arts Council cuts, he said.

Defence team in siege murder trial is dismissed by accused

From Arthur Osman
Birmingham

David Pagett, accused at Birmingham Crown Court of murdering Miss Gail Kinchin, yesterday dismissed his defence representatives and questioned four witnesses himself. But before the court adjourned he indicated that he wanted to re-engage his two counsel and his solicitor.

At one point Mr Pagett asked Mr Justice Park: "Would you not put your questions so obliquely, please? I am not in the witness box yet. I was concerned with innuendos and the tone of your voice".

Mr Pagett, aged 31, a labourer, of Deelands Road, Rubery, Birmingham, has denied murdering Miss Kinchin, aged 16, who died last July a month after being hit by three police bullets. Miss Kinchin, who was pregnant, was alleged to have been used as a shield by Mr Pagett when he fired at the police with a shotgun, and officers returned the fire.

He has also denied further charges of attempted murder, unlawfully taking away Miss Kinchin and Mrs Josephine Wood, her mother, illegal possession of a shotgun and wounding with a shotgun, causing grievous bodily harm.

Mr Rudi Narayan, for the defence, withdrew after his client had handed him a note. Mrs Wood wept as Mr Pagett then took over the cross-examination.

As she was being asked what her daughter had told her in the ambulance shortly after the shooting she burst into tears and Mr Pagett said: "There will be times when I appear to be hard on you, but I ask the court to understand my position as well as Mrs Wood's".

When asked again what her daughter had told her in the ambulance, Mrs Wood replied: "She said 'Mom, I've been shot. I'm dying'." Mr Pagett: "You gathered at that early stage that I had shot your daughter—my fiancée?" Mrs Wood: "She wasn't your fiancée."

Mr Pagett later accused the police of "covering up" their part in the shooting and also claimed that there had been an attempt to interfere with a witness.

Subsequently Mr Pagett agreed to reengage Mr Narayan and other defence representatives and the judge said: "The court has sought to comply with all your wishes. I am not prepared to allow this trial to linger on in the way it has been going on up to now, with constant adjournments for your convenience.

"If you tell me that you wish to reinstruct Mr Narayan to defend you in this trial I will give you the opportunity of talking to him. If you have no such wish the trial will continue."

The judge then told the jury: "Very few trials have encountered the difficulties that this trial has had over the last few days. You have heard the latest exchanges between myself and the defendant.

"Having regard to the fact that the defendant faces a number of charges, including murder, I take the view that he should be given the opportunity to instruct counsel again although he resisted all my efforts to dissuade him from getting rid of his counsel."

The trial continues today.

Report commissioned by ratepayers cites £106,000 houses as most flagrant example of extravagance

Camden council faces bankruptcy after failing to fix next year's rate

By Ian Bradley

The difficulties besetting the London borough of Camden as a result of its last council meeting are the latest in a series of problems awaiting resolution.

On Wednesday night the council failed to agree a rate for the next financial year after combined opposition to the Labour majority from Conservatives, who want a drastic reduction in spending plans, and left-wing Labour councillors, who strongly object to the cuts that have already been made in the 1981-82 budget.

The borough faces bankruptcy unless a rate can be fixed by the end of this month.

The council also faces the possibility of legal action because of two separate moves. The district auditor has taken it to court after finding that supplementary payments made to manual workers since a strike in 1979 were unlawful. Last month a meeting of Labour councillors voted to end the payments from April 1.

The council has also been served with a writ issued by members of the Camden Ratepayers' Association. The writ, which was also served on 30 councillors, alleges overspending and deliberate disregard of duty.

As if that were not enough, members of the National Union of Public Employees (Nupe) are threatening a series of lightning strikes in protest against the decision to end the supplementary payments and to reduce jobs in the building department.

Although the first strike, last Wednesday, had little effect on services, more disruption is threatened in the coming weeks.

But perhaps the most serious difficulty confronting Mr Roy Shaw, the council leader is the evidence of extravagance and waste in Camden's management of its financial affairs over the past five years, which was presented in a report published on Monday.

The 93-page report, *The Cost of Camden*, was written by Mr Alex Henney, former chief housing officer for Haringey and a special adviser to the Department of the Environment. It was commissioned by the Camden Commercial Ratepayers' Group.

It says that Camden spends proportionately more and has higher staffing levels than any other council, despite the social need being less than in many other areas. This year, for eaxmple, it has spent £491 for every resident, more than twice as much as neighbouring Westminster, which Mr Henney regards as the most similar London borough in terms of size, social mix and wealth.

The report also says that Camden employs 40.4 workers per 1,000 population, compared with 28.4 in Westminster and an average of 16 in England and Wales as a whole. If all local authorities were staffed at the Camden level there would be a million and a quarter more council employees.

Mr Shaw accepts that Camden is a high-spending borough and that it employs more people a head of population than any other authority. However, he rejects direct comparisons with Westminster or with any other London borough.

He says: "We have a unique combination of the very rich and the very poor in Camden, which is made up of the old metropolitan authorities of Hampstead, St Pancras and Holborn. We also have particular problems because of having three main line railway termini (King's Cross, St Pancras and Euston) in the borough.

"A large number of people arrive on our doorstep, as it were, and have to be put in bed and breakfast accommodation. In 1980 we housed the highest number of homeless families and persons of any London borough."

Mr Henney does not accept that Camden is an area of high deprivation. He points out, for example, that it has the second lowest proportion of semi-skilled and unskilled workers and the fourth lowest percentage of children eligible for school meals of all London boroughs.

Mr Shaw maintains that many of those statistics are, in fact, a tribute to the success of the council's high-spending housing and social service departments in eroding poverty and bad conditions. Comparable indicators at the beginning of the 1970s showed Camden to have the sixth lowest income a household of all London boroughs.

He says that another special cost faced by the borough is the provision of social workers in hospitals, of which Camden has more than any other London borough.

Although The Hospital For Sick Children, in Great Ormond Street, is used by patients from all over the country, Camden has to meet the full cost of all its social workers. He estimates that that costs £750,000 a year.

Mr Henney's report is particularly critical of Camden's housing record over the past 10 years. He says that delays in building new houses have been longer than in any other authority, and staff levels and costs in architects' and planning departments higher.

He also accuses the council of having built to unnecessarily high standards, using expensive materials

He singles out three schemes, Highgate Newtown 1, Alexandra Road and Branch Hill. Together they cost more than £61m and provided 835 units. Mr Henney says that, properly spent, the same amount could have provided housing for a further 750 to 1,500 families.

The Branch Hill development, on the edge of Hampstead Heath, is regarded by Camden's critics as the most flagrant example of extravagance. Each of the 42 houses cost an average of £105,000 to build. At present council tenants are paying weekly rents of between £16.04 and £17.32 for four-bedroom houses there.

Mr Shaw concedes that some of Camden's housing schemes have been extravagant and wasteful. He says: "The architects have been rather liberal in interpreting the council's specifications. What we were trying to do was to get away from conventional, dreary tower blocks for housing council tenants. We wanted some imaginative schemes. Unfortunately, it just did not come off".

On the costs of the Branch Hill development, he says that it was one of very few sites available to the borough at the time. Much of the cost lay in providing services for the site. Those are now available and would bring down significantly the cost of any further building

Mr Henney also criticizes delays in implementing plans in the council's architects' and planning departments. He says the Alexandra Road development took 85 man years of architects' time and he adds that £534,000 in fees has so far been wasted in producing abortive plans for the development of a site at Swiss Cottage that has been vacant since it was bought by Hampstead Borough Council in 1955.

Mr Shaw said: "This is a very sad story. We have had dozens of schemes for developing this site, but they have all foundered either because of government curbs on capital spending or because the local residents have changed their minds about what they would like there".

Mr Henney believes the council has been allowed to get away with profligacy because domestic ratepayers contribute only a quarter of the rates, less than half the proportion of most other boroughs.

He also blames the "radical chic", who he says dominate the council. "They have deceived themselves and the electorate that Camden is a place of enormous social need."

Mr Shaw replies: "We are not ashamed of being a high-spending council that provides good services. We have an extremely vocal population who know their rights, and if they do not know their rights, the people in Hampstead will tell them what they are."


Photograph by Bill Warhurst

Camden council's Alexandra Road housing development, one of three schemes that together cost more than £61m.

Libyans fear 'hit teams' in Britain

By Stewart Tendler
Crime Reporter

Libyan exiles in Britain fear they could be the target for fresh attacks by supporters of Colonel Gaddafi. One source in the Libyan community said yesterday that between four and six potential assassins are believed to have arrived in Britain.

Special Branch officers at Scotland Yard refused to comment on the claims of a Libyan assassination team but the exiles believe that Colonel Gaddafi has initiated fresh attacks on their numbers.

This week the Libyan leader marked the fourth anniversary of the foundation of the "people's congresses" in his country by declaring that "the masses had the right to liquidate their enemies at home and abroad". Libyan revolutionary committees were also reported to have reaffirmed the need.

A year ago Libyan assassins struck twice in London within a few weeks and killed a journalist and a lawyer. Three men were convicted later at the Central Criminal Court but another three escaped police detection.

The six had travelled from Libya and lived in London for some weeks. The men captured by the police were well trained, tough professionals.

A few months after the attacks Mr Musa Kusa, Libya's chief representative in Britain, was expelled after repeating to *The Times* death threats against exiles.

The assassination attacks petered out both in Britain and other European countries but last week a Libyan gunman tried to attack an airline passenger in Rome.

The exiles in London, according to the source yesterday, believed that their opponents are still trying to silence a group of people said to number up to 12. One of that group is said to have narrowly escaped attack recently when a friend checked an apparently innocent meeting and discovered not one but two men waiting for him.

Invading thief

Police at Colchester, Essex, were looking yesterday for a thief who broke into a youth centre and stole a space invader machine valued at £2,000.

Labour move in Dundee to back PLO

From Ronald Faux
Dundee

The Labour Party in Dundee hopes to bring the full weight of the trade union movement and the party in Scotland behind a demand for government recognition of the Palestine Liberation organization as "the sole legitimate representatives of the Palestinian people".

Identical resolutions will be put to the annual conference of the Scottish Council of the Labour Party later this month, and by Dundee Trades Council to the Scottish TUC in April.

The full resolution, which is likely to cause a storm from groups opposed to Dundee's strengthening connexion with the PLO, reads: "This conference, recognizing the injustice and oppression being suffered by the Palestinian people under military occupation and scattered as refugees throughout the Middle East, declares its support for (1) the inalienable rights of the Palestinian people to self-determination within an independent sovereign state and (2) the British Government to recognize the PLO as the sole legimate representatives of the Palestinian people".

Dundee became the first city in Britain to establish such close links with a Palestinian town when the council voted to "twin" with Nablus, a West Bank town occupied by Israel in the six-day war.

According to the Labour group, the object of the twinning is to increase public awareness of the Palestine question and provide support for the people living in the occupied zone.

The move was opposed by the Tories on the council, who believed it was taking Dundee unnecessarily into a dangerous position.

When Mr Bassam Shaa, Mayor of Nablus, visited Dundee, among those invited to meet him was Dr Albert Jacob, leader of the Jewish community in the city and a local GP. "I wished him shalom and shook his hand and asked him to avoid the subject of Middle East politics. I did not think they had anything to do with town-twinning.

"Instead, Mr Shaka made statements on local radio about the 'brutal' occupation of the West Bank," he said.

Powers of tax inspectors 'should be curtailed'

By Frances Gibb

The powers of Customs and Excise and Inland Revenue inspectors to enter and search premises, seize documents and ask for information should be curtailed, the Law Society says in a memorandum published yesterday.

In its evidence to the committee under Lord Keith of Kinkel, set up by the Chancellor of the Exchequer last October to look at the departments' enforcement powers, the society says the legislation giving the powers of entry and search should be repealed.

Instead there should be new legislation, standardizing existing provisions restricting the wider powers of Customs and Excise in the same way as those of the Inland Revenue, and including various safeguards.

The memorandum, produced by the society's non-contentious business committee, also says that its other chief concern is that the confidential relationship between a solicitor and client is protected.

Unless a solicitor is in receipt of income or gains passing through his hands, he should not have to disclose in reply to a request for information anything more than the identity of his client, and then only if the transaction is identified.

The professional offices of a solicitor should not be searched unless there are reasonable grounds to believe that he himself is fraudulent or a party to fraud, in which case the search should be confined to papers disclosing the affairs of the solicitor.

The Law Society adds that if a search of a client's papers is permitted, the warrant should refer to a particular taxpayer and particular documents. "At all times the confidential relationship between a solicitor and his other clients should be respected."

The recommendations are put forward, the society says, on the basis that in some cases the public interest might require revenue officials to enter and search premises, but such powers should be controlled so as to protect as far as possible the liberty of the innocent citizen.

It urges certain safeguards to be incorporated in legislation. There should be a two-tage procedure for the issue of a warrant to search, as recommended by the Royal Commission on Criminal Procedure.

The application for the warrant should be made in writing, and where it is made to a magistrate or judge it should be in the form of a deposition and lodged at court.

The warrant should specify the object of the search and the premises in as precise detail as possible and there should be a time limit on searches.

Among other recommendations, some of which were mentioned in the House of Lords case on the Rossminster finance group in December, 1979, is that Customs and Excise should adopt a code of practice in relation to all back-duty investigations providing safeguards for the taxpayer; that the mere failure to make a VAT return should not constitute a criminal offence and that Customs and Excise should use the greatest possible care in exercising powers of forfeiture.

In brief

Severed fingers sewn back

Plastic surgeons yesterday completed a 22-hour operation to sew back three fingers which had been severed in an accident with a circular saw.

The fingers, on Mr David Nash's right hand, were sewn back at the plastic surgery unit at Frenchay Hospital, near Bristol. They were saved by one of Mr Nash's workmates, who put them in a bag of ice while waiting for the ambulance.

Harman costs request

The all-party parliamentary penal affairs group has suggested that the Home Office should meet its own costs in its action against Miss Harriet Harman, legal officer for the National Council for Civil Liberties, for contempt of court for showing a journalist Home Office documents.

Nurse elects trial

Harold Dexter, aged 59, a nurse at Rampton Hospital, Nottinghamshire, elected trial by jury when he appeared before Mansfield magistrates yesterday charged with ill treating Mr Richard Clive Winnik, a patient, on February 5, 1979. He was remanded on bail.

Trawler arrested

The Dutch trawler Hessel Vandenberg was arrested yesterday by the British fishery protection vessel HMS Orkney and escorted to Grimsby for allegedly using illegal nets inside Britain's 200 miles fishery limit.

Assault on girl

David Allen Bohling, aged 31, said to be living in a caravan at Alvanley, Cheshire, was sentenced to three years' imprisonment at Liverpool Crown Court yesterday after admitting kidnapping and indecently assaulting a girl, aged 11, at Wallasey.

Fined woman had £500

Miss Edith East, aged 80, a homeless woman, who wa fined £15 yesterday after admitting being drunk in Worthing, was said by police to have had more than £500 with her when she was arrested.

Quilts for hospitals

Hospitals in north Nottinghamshire are to use Continental quilts to take the drudgery out of bed making for nurses and to save £50,000 a year in laundry bills.

Top salaries chairman

Lord Plowden has taken over from Lord Boyle of Handsworth as chairman of the Top Salaries Review Body, the Prime Minister announced yesterday.

Butlins buys hotel

Butlins has bought the 157-bedroom Grand Hotel at Llandudno, one of the biggest in Wales, for an undisclosed price.

More Home News, page 21

Expertise of WPC's 'dissipated'

By Our Crime Reporter

Police expertise in specialist areas such as dealing with rape victims and offences involving children has been reduced by the integration of police women in the service, according to an article in *Police Review* today.

Examining the Sex Discrimination Act, 1975, the magazine says changes were often made with little planning and led to the dismantling of police women units without thought to the consequences.

One result was that many young officers lack the expertise of their predecessors but are still expected at times to do the same job, as well as other duties.

Liaison with local social service and other agencies has suffered, as has the handling of cases such as those of missing young girls.

While police women have gained entry to special units such as the mounted and motorcycle branches, the Act has not brought any big increase in promotions.

It says that a number of forces are considering some replacement for the old police women's department.

Departments run with a voluntary complement would be the best compromise.

West Yorkshire to get nine new railway stations

From Ronald Kershaw
Leeds

Nine new railway stations are to be opened by West Yorkshire Passenger Transport Executive. The plan was approved at a meeting yesterday of West Yorkshire County Council's transportation committee.

The stations, to be financed by the executive, will cost between £70,000 and £110,000 each. It is expected that a total investment of £690,000 will yield, after four years, more than £400,000 a year profit at today's prices, from additional passenger traffic.

Five of the nine stations, most of which will be unmanned, will be built on the sites of stations closed under the Beeching contraction. West Yorkshire County Council said that the stations would comprise two platforms and waiting rooms. The first is to be opened in 12 months at Crossflatts, near Bingley, on the Leed-Keighley-Skipton line.

During next year stations will be built at Fitzwilliam, near Wakefield, and Slaithwaite, near Huddersfield, followed in 1983 by stations at Bramley, between Leeds and Bradford, Lightcliffe, near Halifax, and Saltaire, near Shipley; Beighton, near Huddersfield, East Garforth, and Hawkesworth, near Leeds, will complete the project in 1984.

All the stations are on commuter lines and will have car parks. The stations are part of the county council's public transport policy, which the passenger transport executive is responsible for carrying out.

The plan was welcomed last night by British Rail,

New rules for drug trials

By Nicholas Timmins

The British Medical Association has approved a new constitution for local ethical committees to enable them to check that research involving patients, including drug trials in general practice, are ethically sound.

The committees, one to each health district, will include two family doctors and a lay member, as well as hospital doctors, a nurse and a specialist in community medicine.

The proposals will be sent to the medical royal colleges for approval and then to the Department of Health for implementation.

Of the existing ethical committees, some do not function well, others are purely hospital based and not all include laymen or general practitioners.

Citizenship rights by birth amendment defeated

By Philip Webster
Parliamentary Staff

The Home Office's obsession with possible abuses of immigration control and illegal entry had led it to oppose a "compassionate" amendment to the nationality Bill that would have allowed British citizenship to be passed to children adopted overseas, Mr Roy Hattersley, the Labour Party's chief home affairs spokesman, said yesterday.

"To object to this amendment in terms of old fears that immigrants in this country are by and large not to be trusted and inclined to take advantage of any loopholes in the law is disreputable", he told the standing committee on the Bill.

Resisting the amendment, which was defeated by 13 votes to eight, Mr Richard Luce, Under-Secretary for Foreign and Commonwealth Affairs, said it could involve a considerable immigration commitment. If it was passed, any British citizen could go abroad and adopt a child, and that child would be a British citizen with a right of abode in Britain.

There would be a considerable temptation for people to adopt children that way as a means of evading immigration control

A child acquiring citizenship that way would he able later to transmit it to his or her children born abroad

After more than 20 hours of debate in nine sittings the committee carried the Bill's first clause, which provides for the acquisition of British citizenship by children born of parents who are British citizens or "settled" in the United Kingdom, thus ending the principle that everybody born in the country has a right to British citizenship.

70 journalists in picket go unchallenged

From Our Correspondent
Leamington Spa

A demonstration against the restriction of pickets to six passed without incident at Nuneaton, Warwickshire, yesterday.

About seventy trade unionists, mainly members of the National Union of Journalists, including its general secretary, Mr Kenneth Ashton, picketed the premises of Watling Publications during heavy snow in an unsuccessful attempt to prevent printers going in.

The journalists are in dispute with North London Newspapers and its parent company, Courier Press, over the closure of *The Camden Journal*

Every Thursday for weeks an NUJ picket has been placed on the gates of Watling Publications in an attempt to stop the production of North London Newspapers' other newspaper, *The Hornsey Journal and Islington Gazette*.

Women admit helicopter jailbreak plot

Two women admitted at the Central Criminal Court yesterday that they took part in a plot to lift a prisoner out of Brixton jail, in London, by helicopter.

Margaret Parratt, aged 34, and Jacqueline O'Malley, aged 31, changed their pleas to guilty to conspiring to effect the escape of Brian Keenan. They were released on bail to be sentenced later.

The prosecution alleges that Mr Keenan was to be rescued by armed men in a hijacked helicopter while he exercised in a wire enclosure, known as "the cage", in the prison grounds.

Five other people, including Mr Keenan and his wife, Christine Keenan, have denied taking part in the plot.

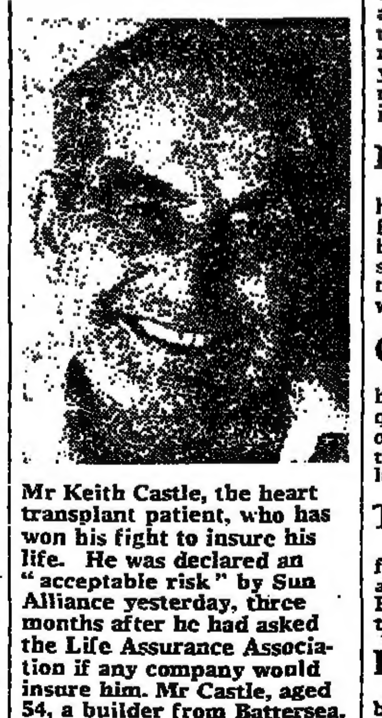
Mr David Jeffreys, for the prosecution, said both Mrs Parratt and Miss O'Malley had accommodated two men who were to have taken part in the operation.

Mrs Parratt, he said, made inquiries about hiring a helicopter and Miss O'Malley had booked one for a trial run but the rehearsal never took place because both women were arrested the day after the helicopter was hired.

Before her arrest Mrs Parratt worked as a secretary to a Barclays Bank manager in Dalston, east London.

The others accused of the plot are Robert Campbell, aged 38, Richard Glenholmes, aged 47, and Robert Storey, aged 23.

The trial continues today.



Mr Keith Castle, the heart transplant patient, who has won his fight to insure his life. He was declared an "acceptable risk" by Sun Alliance yesterday, three months after he had asked the Life Assurance Association if any company would insure him. Mr Castle, aged 54, a builder from Battersea, London, said: "I am delighted. It means that insurance companies can accept heart transplant patients as normal, physically fit people. I intend to live for a long time yet."

Golf cooperative 'harmed by disloyal undercutting'

Mr Dai Rees, the former Ryder Cup captain, and his co-directors of the Professional Golfers' Co-operative Association yesterday rejected accusations of blame for inefficient management.

The board claims that the cooperative which is in debt for more than £1m was harmed by the activities of some golf professionals who undercut it by dealing directly with manufacturers.

A creditors' meeting at the Chartered Insurance Institute, in the City, was told by Mr Geoffrey Martin, the liquidator, that some professionals even formed small cooperatives in competition with the association.

The other directors of the association were said to be Mr R. S. Jamieson, Mr R. Mace, Mr N. Selwyn-Smith, Mr E. R. Whitehead and Mr R. T. Niven.

Assets were estimated at just over £1m and the deficiency to creditors was put at £10,607.

Woman prisoners said to have grown cannabis

Women inmates at Askham Grange open prison had grown cannabis in the kitchen garden there, is was alleged at York Crown Court yesterday.

Mr Roger Scott, counsel for Paul Lacey, aged 28, husband of a former inmate, suggested that there had been a flourishing drugs trade at the prison.

Mr Lacey, of Princess Street, Wombwell, pleaded not guilty to supplying and possessing a controlled drug.

The trial continues today.

Effect on health of milder cigarettes

By Our Medical Correspondent

The mild cigarettes that have become more popular since the Second World War may have altered the pattern of some diseases related to smoking.

Modern cigarettes contain on average only half the amount of tar of those sold in the 1930s, which may partly explain the recent fall in lung cancer mortality in Britain.

The changes in the composition of cigarettes are reported in an article today in the *British Medical Journal* by Sir Richard Doll and Dr Nicholas Wald, from the Radcliffe Infirmary, Oxford, and Mr Graham Copeland, head of smoking products in the Government Chemist's Office.

Sir Richard had asked the public for help in collecting old cigarettes and many thousands were sent to him from cupboards and attics. Analysis showed that between 1934 and 1975 the yield of tar dropped by half, of nicotine by 30 per cent and of carbon monoxide by 10 per cent.

However, yields of nicotine and carbon monoxide rose again slightly between 1976 and 1979 because of the increasing popularity of king-size filter tip cigarettes.

The cancer-inducing substance in cigarettes is almost certainly the tar, the progressive drop in which helps to explain the fall in deaths from lung cancer in men in the past 20 years.

Which constituents of tobacco smoke cause heart disease is less certain, the report says.

The greatest effect of smoking on the heart is on persons aged 55 or less.

Spanish Premier will not ask Socialists to join him in coalition

From Richard Wigg
Madrid, March 5

Señor Leopoldo Calvo Sotelo has discarded any idea of forming a coalition government with the Socialists, his aides said in Madrid today.

The Prime Minister, it seems, believes that a coalition embracing more than three-quarters of the political spectrum in Parliament does not offer the best way to strengthen democracy after the failed military coup.

A meeting last night between Señor Calvo Sotelo and Señor Felipe González, the secretary-general of the Socialist Party, resulted in both sides stating their different viewpoints after analysing the failed coup.

The Socialist leader agreed to Señor Calvo Sotelo's offer to maintain a dialogue on tackling basic issues such as stabilizing democracy, combating terrorism and regional devolution, all of which, if not resolved, could heighten the latent threat of another assault on democracy by right-wing elements among the armed forces.

Sensing they had King Juan Carlos's tacit approval, Señor González and Señor Manuel Fraga Iribarne, the leader of the conservatives, had both been campaigning for a broad-based coalition.

Two of Spain's most important economic figures, Señor Carlos Ferrer, the president of the Confederation of Employers' Associations, and Señor Rafael Termes, the president of the Spanish Private Banks Association, met journalists to express their disapproval of the coalition idea.

Business leaders speak out more readily on public affairs in Spain than elsewhere in Europe and the two men joined in the debate on whether a coalition was the right remedy for a threatened democracy.

While some people are citing the example of Italy's 30 years under the Christian Democrats to argue that Spain must maintain a moderate alternative, others see the threat to democracy as so grave that the two main parliamentary forces must bar the road to reaction.

Señor Calvo Sotelo who by saying "no" to the Socialists has also rejected a demand from a minority within his own party for a coalition, had already promised such reforms. Señor González, however, continues to be greatly influenced by the ideas of Herr Willy Brandt, the West German Social Democrat leader, that the best way for a left-wing party to obtain a majority of the votes is first to become "respectable" by governing in tandem with the present holders of power.

The employers' leader argued that Spain's democracy would be best served by maintaining an alternative party—"unless you consider the Communists as an alternative". He added that if the Socialists won power at the next general election, employers would fully accept the popular verdict.

Señor Ferrer denied that there were members of his organization with right-wing sympathies, and also said that this organization "has not and will not back the de Gaulle option".

The bankers' leader said a coalition with the Socialists now "would be like adding water to good wine". The Prime Minister's economic programme would be more effective without them and the banks would see that he was helped.

Señor Calvo Sotelo met today Señor Carlos Garaikoechea, the Chief Minister of the Basque autonomous regional Government. He believes that the devolution process should be carried out in a more orderly way to avoid any appearance of "unravelling" Spain and so further upset the military.

Señor Albert Oliart, the new Defence Minister, today began meeting all nine regional army commanders. One of the hard-line commanders, Lieutenant General Angel Campano, in charge of the Valladolid military region, today denied that he had been vacillating on February 23 in supporting the King.

The Government, Señor Oliart said, had decided that it would be "inopportune" to support a proposal to pardon members of the Union of Democratic Officers, which began campaigning for a more democratic spirit in the armed forces towards the end of the Franco era. Several of its leaders were subsequently punished and dismissed.

Señor Oliart reiterated the Government's policy not to use the Army to fight Basque terrorism, no matter how important its eradication remained for Spanish democracy.

Some 250 Portuguese rightists crossed the frontier into Spain on the night of the failed coup, the Europa press agency reported today, quoting Spanish sources.

They spent the night at a farm near Badajoz and returned home after the coup failed.

Basque violence: A national police officer died today shortly after being shot in the back of the head by some young men while walking home from work in the Bilbao district of Deusto (Harry Debelius writes from Madrid). Suspicion fell on the military wing of ETA.

The victim, Señor José Luis Raimundo Moya, a section chief, was wearing civilian clothes at the time. Señor Calvo Sotelo flew to the Basque region tonight to attend his funeral.

The police today disclosed the arrest of three more suspected members of the extreme right-wing Spanish Basque Battalion in connexion with the murder of a factory worker near San Sebastián earlier this week.

Madrid newspapers today reported that at least 22 officers held in connexion with the failed coup were yesterday charged with rebellion.

Dr Frank Wiswall, an American lawyer (left), and Mr Philip Bowen, the Liberian Maritime Commissioner, at a press conference yesterday on the Amoco Cadiz tanker disaster.

French are accused over Amoco Cadiz

By Michael Baily
Transport Correspondent

France was accused yesterday of withholding vital information on the sinking of the tanker Amoco Cadiz in 1978, partly so as not to impair its huge claim for damages arising from resulting pollution of the Brittany coast.

The key evidence withheld from Liberia's formal inquiry, whose final report was published yesterday, is a record of messages received by the French coastal station at Brest. Liberian experts believe the messages would show that the French authorities were aware of the threat of large-scale pollution much earlier than has hitherto been disclosed, but failed to take action.

The licence of Captain Pasquale Bardari as a master is now being restored. Mr Philip Bowen, the Liberian Maritime Commissioner, said at a London press conference yesterday that though the captain's failure to send out a general distress signal before the tanker grounded was "inexcusable", he had "suffered enough" in the past two years.

Captain Bardari still faces penal charges in the French courts.

French claims in respect of the 230,000-ton tanker are believed to amount to more than £1,000m, of which the largest are by the French Government. They will be fiercely contested in the American courts later this year by insurers who believe that no more than £50m to about £100m of the claims are provable.

The Liberian report declines to censure either the tanker's owners, the American oil company (Amoco), or Captain Bardari, though both are criticized for the delay in calling for help.

Nor is there censure of the owners or master of the German tug Pacific, which came to the rescue but failed to stop the tanker grounding when a tow rope broke.

The main finding of the inquiry, which was held in London, is that the accident, at that time the worst ever oil pollution disaster, was caused not by human failure but by the mechanical failure of the ship's steering gear as it proceeded up the French coast with 200,000 tons of crude oil in rough seas and gale force winds.

Mr Bowen said that France's action and inaction after the incident, its failure to provide evidence and its arrest of key witnesses were "grossly in contempt" of rulings by the Inter-governmental Maritime Consultative Organization governing such inquiries.

Liberian experts admitted yesterday that individual French experts had been helpful and friendly, but cooperation had apparently been forbidden by the French Government on the grounds that it did not wish to be seen to approve of a flag of convenience inquiry, and that certain evidence in its possession might affect the civil action

The report finds that "the authorities in France have still persisted in their refusal to disclose relevant documents"; and while some had become available later through proceedings in the United States, these "unhappily did not include any copy of the records maintained by the radio station at Brest, which is under the control of the French Government".

France's behaviour, the report says, was "in marked contrast to that of the British Post Office, who readily consented to an order of the English High Court of Justice requiring [it] to produce copies of the relevant radio messages picked up by British radio stations".

While the tanker was of high quality and had a highly trained crew, Amoco was criticized for a section of its operations manual for tankers, which required a master to contact head office where possible before accepting outside assistance.

"The time spent by Captain Bardari in seeking to obtain instructions from his owners when his vessel was in a position of grave peril suggests that there was in his mind some degree of confusion as to the extent of his own responsibility."

A "special citation" is to be awarded by Liberia to Captain Leslie Maynard, a British safety expert, who was on board at the time and who "risked his life in the finest tradition of the sea to stay with Captain Bardari and the ship although he had no duty to do so". The French Navy Helicopter Service was awarded a citation for its "prompt, brave and efficient" conduct of a rescue operation without injury or loss of life.

Indian chiefs scrutinize Paris treaty for rights

From Charles Hargrove
Paris, March 5

Chief Big Louis, of the Hurons, traditionally allied to France ain the eighteenth century, and Chief Andrew Delisle, of the Mohawk-Iroquois, called this morning at the archives of the Quai d'Orsay.

The two Canadian Indian chiefs were anxious to see the original text of the Treaty of Paris of 1763, under which France was forced to cede Canada to Britain at the end of the Seven Years War. They wanted to ascertain whether, as they had been told, Britain had undertaken by this treaty to respect the rights of the Indians with whom France had signed agreements before the surrender of "New France".

The French Foreign Ministry is rather blasé about colourful visitors from overseas, and it takes more than an Indian chief with two feathers stuck in his long plaits of greying hair to shake the composure of the Quai d'Orsay ushers.

One can see very Parisian Indians about the streets, barring the feathers perhaps, every day. But Big Louis is a fine giant of a man, who speaks French like the Québécois. His companion, Chief Andrew Delisle, whose tribe was traditionally allied to the English, also has distinguished looks.

They were, unfortunately, disappointed in their search. There is nothing specific in the Treaty of Paris about the rights of the Indians, which could be used as an argument in Ottawa that their tribes constituted a nation which had never abdicated its rights.

All that it says is that "the inhabitants, French or otherwise, who had been subjects of the most Christian King, will be able to retire in complete safety and freedom wherever they wish and sell their possessions, provided it be to British subjects".

The two Indian chiefs expressed great interest, however, in this clause, because of the expropriation of which they were the victims in the past.

Their spokesman said they were demanding the right to participate in the negotiations between the Canadian Government and the provinces on the repatriation of the Canadian constitution in order to obtain the status of a province in turn.

They further emphasized that they had never had any part in the drawing up of the Canadian constitution although the preamble of the British-North America Act specified that the three nations of Canada—British, French and Indian—should do so.

The two Indian chiefs will be joined tomorrow by Mr Del Riley, the chairman of the "National Fraternity of the Indians of Canada", the real "government" of the Indian

The two chiefs were anxious to make it clear that they were not in Paris to meddle in French politics, or to create difficulties between France and Canada.

Recurring earth tremors create alarm in Athens

From Mario Modiano
Athens, March 5

A series of severe earthquakes rocked the south of Greece and the area of Athens in the past 24 hours, causing widespread damage to village houses and arousing considerable alarm among the population.

Three deaths caused by heart attacks in the Athens area were attributed by the authorities to the powerful shock measuring 6.2 degrees on the Richter scale which occurred shortly before midnight last night.

This was followed by a tremor of 5.2 degrees soon after 3 am. But it was an earthquake rating 5.8 degrees at 9 am today that renewed the panic, causing many Athens shops to close, and people to drive away and spend the day in the open.

Seismologists have been trying to reassure the public by insisting that these are merely aftershocks of the violent earthquake measuring 6.6 degrees on February 24 which caused at least 18 death.

Professor Ioannis Drakopoulos, the head of the Geodynamic Institute of the observatory, said that last night's strong tremor implied a discharge of pent-up geological energy which should result in limiting the number and intensity of the aftershocks. "The likelihood of another tremor of the magnitude of last week's earthquake is extremely limited", he said.

There is, however, some concern because the epicentre of the earthquakes, situated in the Gulf of Corinth, has evidently shifted nearly 10 miles in the direction of Athens.

Reports that last night's earthquake had caused tidal waves along the Corinth coast, could not be confirmed.

The British Government, responding to an appeal from Nato in aid of the Greek earthquake victims, is sending 250 tents to provide temporary shelter for the homeless.

US urged to set example for Europe

From David Cross
Washington, March 5

Before "twisting the arms" of the West Europeans to increase their military spending, the United States should concentrate first on setting an example by upgrading its own defences, Senator John Tower, the chairman of the Senate armed services committee, said today.

But, he told a breakfast news conference organized by Foreign Policy magazine, he had no doubt that once the United States had acted to increase its defence spending, "then we will be urging Europe to do more".

Senator Tower, a Republican halk from Texas who took over the chairmanship of the powerful Senate armed services committee from the Democrats at th ebeginning of the year, was responding to reporters' questions about the plans announced yesterday by Mr Caspar Weinberger, the Defence Secretary, to increase the defence budget annually by 7 per cent in real tearms over the next five years.

The senator made it clear that although the new Administration had suppressed its public criticism of the Europeans for not doing more to boost their defence spending for the time being, there remained considerable criticism among his colleagues in Congress about the pood performance of the allies.. He recognized, however, that some European countries had political as well as economic problems

Storm over tribute to Dönitz by Army union

From Patricia Clough
Bonn, March 5

The main West German soldiers' trade union has incurred the wrath of the Bundeswehr chief by criticizing the ban on military uniforms at the funeral of Hitler's successor, Grand Admiral Karl Dönitz.

The Bundeswehrverband, which represents 250,000 present and former members of the armed forces, caused a stir with a tribute to Admiral Dönitz in last month's edition of its magazine, Die Bundeswehr.

"Honoured by his men, esteemed by the enemy, almost forgotten in his own land", it said, "Dönitz will go into history as a great military leader."

It criticized the Defence Minister's ban on uniforms at the admiral's funeral on January 6 as "making the citizens in uniform who wanted to pay a last tribute to the deceased invisible and insecure". Disciplinary proceedings are in progress against two reserve officers who defied the ban.

Admiral Dönitz, architect of the submarine war against Britain, was the last commander of the wartime German Navy and after Hitler's suicide he became the head of the doomed Third Reich.

Herr Hans Apel, the Defence Minister, forbade uniforms at his funeral because he was not only a soldier but a leading figure in the Nazi state. Dönitz "never left any doubt that he identified with the aims of National Socialism", he said.

Herr Erwin Horn, deputy chairman of the Bundestag defence committee, said the tribute was in "extreme bad taste". Between 20 and 30 members have resigned from the union in protest.

General Jürgen Brant, general inspector or chief of the Bundeswehr, wrote a sharp letter to the organization saying he was "surprised and shocked" at the "one-sided and polemic" protest.

Some members, he said, might remember Dönitz for saving thousands of refugees fleeing from the east, but others would see him primarily as one of Hitler's followers whose lack of critical thought had made the war possible in the first place.

The attitude of the Bundeswehrverband was "appalling" considering that it did not devote a single line to the death last year of Dr Fabrian von Schlabrendorff, a leading member of the June 20, 1944, assassination plot against Hitler.

Herr Peter Raabe, spokesman for the Bundeswehrverband, said this month's edition of the union magazine will carry the full text of Herr Apel's statement on the uniform ban and a few lines clearing up "misunderstandings".

The union did not intend to make Dönitz a model for the Bundeswehr but protested against a growing tendency by the ministry to "hide" the armed forces by forbidding members to wear uniforms on non-official occasions.

"We are not in favour of people going to the funeral in uniform but we are against them being forbidden to do so", he said.

Mitterrand escape route retraced

From Gretel Spitzer
Berlin, March 5

Herr Willy Brandt, the chairman of the West German Social Democratic Party, and M François Mitterrand, the French Socialist leader, met on the Berlin-West German transit route in East Germany today.

M Mitterrand, a former inmate of a German prisoner-of-war camp, was retracing the route he took when he succeeded in escaping from Thüringia in 1941 after two failed attempts.

He met Herr Brandt after visiting Rudolstadt, where he was brought after being taken prisoner in June, 1940.

Groups of East Germans were reported to have waited for M Mitterrand hoping that Herr Brandt would also come.

It was at Erfurt, not far from Rudolstadt, that Herr Brandt, then West German Chancellor, was cheered by East Germans during a meeting with the East German party leader.

After meeting each other Herr Brandt and M Mitterrand passed the inter-German border checkpoint and continued their trip through West Germany.

West German correspondents accredited to East Germany were not permitted by the East German authorities to be present at the meeting of the two politicians on the ground that it was a private affair.

Sale to Taiwan approved

The Hague, March 5.—The Dutch Parliament today formally accepted the Government's decision to approve the sale of two submarines to Taiwan.

The outcome had been clear since last Thursday, when dissidents within the Christian Democratic Party of the ruling coalition said they would not challenge the Government

The lower chamber of the Parliament defeated two motions today, one "regretting" the Government's decision and a tougher motion "disapproving" of it.

In December, the Parliament narrowly approved the Cabinet's decision to grant an export permit to the Rijn-Schelde-Verolme shipyard in Rotterdam, which is negotiating a 1,000m-guilder (about £200m) deal including the two submarines.

China then put pressure on The Netherlands.

Four cleared by Rome court of aiding terrorists

Rome, March 5.—Four people were found not guilty by a Rome court today of crimes against the state in publishing a magazine that regularly printed material from terrorists groups such as the Red Brigades.

The four, including two lawyers, were charged with supporting terrorists groups by publishing the documents

Judge Sergio Sorichilli ruled that the publication of the documents by Sienira Giovanna Lombardi and Signor Eduardo di Giovanni, both lawyers, and two other men who ran the magazine did not constitute a crime. UPI.

Dutch optimistic about EEC farm budget cuts

From Michael Hornsby
The Hague, March 5

EEC expenditure on agriculture, long one of the main targets of anti-market opinion, could be brought down from 70 per cent to 60 per cent or less of the Community budget over the next two or three years without big structural reforms, it was claimed today.

This slightly optimistic prognosis was offered by Mr Gerrit Braks, the Dutch Agriculture Minister and current president of the EEC's Council of Agriculture Ministers, in an interview here with foreign journalists.

Mr Braks says that the 60 per cent target could be achieved even if this year's EEC farm price increase was greater than the average 7.8 per cent rise proposed by the European Commission and some other proposals to curb overproduction were discarded.

The main basis for Mr Braks's optimism was his belief that world food prices were likely to remain relatively buoyant for the foreseeable future, thereby greatly reducing the cost of subsidizing the export of EEC food surpluses.

Mr Braks said studies by the United Nations Food and Agriculture Organization showed that "the world food market is going to be quite different over the next 20 years".

The sharp increase in the cost of fertilizer would also remove an important stimulus to overproduction of farm produce in the Community, he believed.

The minister said he was "happy to see what is happening internationally because it will reduce pressure for radical restructuring of the Community budget, which could not be done without changing the basic principles of the common agricultural policy".

Mr Braks said he was hopeful of achieving a farm price settlement by April 1, and that he expected member states to agree on a figure slightly higher than the Commission's proposed increase. But he added that if the increase went into double figures it would be "very dangerous".

He thought it would be politically "very difficult" to get agreement on a proposed "supertax" of £45 a tonne on excess milk production, and he expected that agriculture ministers would reject proposals for reducing price support for cereals and some other products when output passes a certain level.

Mr Braks made it clear that he regarded the dairy sector as the only one suffering chronic overproduction, and that it would be much less reasonable to impose financial penalties on farmers in other areas of production.

The Commission estimates that its own proposals, which also include a 6 per cent revaluation of the British "green pound", could be financed within the expenditure planned for this year without resort to a supplementary budget.

Even though Mr Braks's view of future world market trends would be challenged by some experts, his remarks illustrate how the relaxation of financial pressure has changed the context in which budget and agricultural reform is being discussed.

It is admitted in Brussels that there could be as much as £1,000m of "headroom" before the binding 1 per cent limit on the rate at which value added tax can be levied to finance EEC policies is reached.

As a result, there is now a much greater chance than seemed likely until quite recently that the growth of agricultural expenditure can be held to a lower rate of increase than the expansion of the EEC's revenue sources for some years ahead.

Mr Braks also disclosed that he is flying to Italy tomorrow in an attempt to persuade the Government there to lift its reservation on the package of measures agreed by EEC agriculture ministers in principle last month, which include new arrangements for the export of New Zealand butter to Britain.

Russia puts pressure on Polish party to adopt tough policies

From Michael Binyon
Moscow, March 5

Yesterday's important meeting between the Soviet leadership and Polish party leaders s regarded in Moscow as clear vidence that the Russians now ntend to put strong pressure on the Polish leaders to take a tougher line in restoring hings to normal. But a dangerous confusion has arisen over he translation of a key phrase n yesterday's lengthy communiqué.

Mr Stanislaw Kania, the Polish party leader, General Vojciech Jaruzelski, the Prime Minister, and other leading igures in the Polish party gave n undertaking to the senior nembers of the Soviet Politburo o act swiftly to overcome narchy and disarray in Poland nd to strengthen the socialsit ystem.

At the same time the Russians said they were confident that Polish communists have he possibilities and strength to urn the course of events, to liminate the dangers hanging ver the socialist gains of the Polish people".

In the Russian Text the word sed for "turning" the course f events can also be translated s "stemming" or stopping the low of events. But in the Polish ext it translates more accurtely as "reversing" the course – a far stronger demand, which uggests that the Russians are xpecting the Polish leadership o tear up its agreements with olidarity, the independent rade union, and to go back to he situation prevailing before he beginnig of the Polish crisis ast summer. In Russian the xtra word "back" would be eeded to convey that impresion.

The nuance is of some significance. For though it is clear that Moscow would indeed like Poland to scrap the concessions made to Solidarity, most of which are unacceptable to orthodox Soviet communism, it is thought unlikely here that the Soviet leadership would demand that the Polish party should pledge itself to do something that would certainly provoke a serious new crisis in the country.

Nevertheless, there is no doubt that the Russians, led by President Brezhnev, had some straight talking with Mr Kania and his colleagues. Moscow has already made the serious public allegation that counter-revolution is engulfing Poland, and the communiqué emphatically restated the so-called Brezhnev doctrine of limited sovereignty, saying that the defence of communism in one country was the concern of all other fraternal communist countries.

With that congress out of the way, however, and given the public endorsement of Soviet declarations during it that Moscow would "not abandon its ally in its hour of need," the Russians may now feel they have a freer hand to concentrate on the Polish crisis.

The prominence given by the East German press this morning to yesterday's meeting suggests that the Soviet side put forward some tough demands for immediate action by the Polish party—action that the hard-line East Germans have long been calling for.

And the inclusion in the Soviet side of such figures as Mr Mikhail Suslov, the veteran ideologue, Mr Yuri Andropov, the head of the KGB security forces, and Marshal Dmitry Ustinov, the Minister of Defence, is a clear indication of the areas the Russians feel are threatened by the events in Poland.

Kania problems over rank-and-file demands

From Dessa Trevisan
Warsaw, March 5

Mr Stanislav Kania, the Polish party leader, and General Vojciech Jaruzelski, the Prime Minister, returned from Moscow ast night with the Soviet eadership's extended trust in he Polish Communists' capability to "reverse the course of vents", but also with an implicit note of warning that the oviet leaders expect them to nove faster and more decisively gainst what Moscow regards as dangerous trend.

This gives the Poles the ecessary time but it also increases the pressure from the Warsaw Pact countries in whose ame President Breznev was peaking.

Moscow evidently expects the Polish party to assert itself nore forcefully after months of olitical paralysis.

This is precisely where Mr Kania faces the most serious roblem with his party's rank nd fire agitating for profound emocratic reforms and flooding the leadership with denands for structural ond statuory changes that would enable he membership to control and nfluence the leadership's polies.

To ignore the demands means for the leadership to risk losing the base especially as the strongest pressures for changes come from party groups in industrial enterprises and from the workers themselves.

Preparations for the party congress proceed in a highly politicized atmosphere in which the base is challenging the whole structure of "democratic centralism" and agreement will obviously demand much time to be achieved.

The response to General Jaruzelski's call for a 90-day truce in labour relations has been good but the truce is fragile and can be easily upset, especially as food shortages are increasing and the queues for basic commodities become longer each day.

In Poznan a meeting of Rural Solidarity has been called for Sunday to press for formul recognition of the peasants' union.

In what appears to be a sign that the authorities have decided to take a tougher line towards dissidents, Mr Jacek Kuron, leader of the Self-Defence Committee KOR, was today ordered by the police to be available for questioning on charges of slandering the state.

Spate of Solidarity publications helps to slake thirst for truthful information

Polish battle lines form over explosive censorship issue

By Timothy Garton Ash

Like the silence of a truce after prolonged fighting, the peace which descended on Poland last week seemed unnatural.

Intermittent sniping could be heard from the government trenches. But the main action moved eastward to Moscow, where Poland's fraternal allies solemnly declared their sort of solidarity with Mr Kania, the party leader, and west to Paris, where Poland's capitalist creditors met behind closed doors.

Meanwhile a large package is being shunted back and forth across the no-man's-land between Solidarity and the authorities, marked "Danger, High Explosive: Censorship".

Both sides are aware just how explosive is the censorship issue.

During a turbulent discussion in the heady days of the Gdansk shipyard occupation last August a young writer leapt to his feet demanding total abolition of censorship.

"Remember what happened when the Czechs abolished censorship in the summer of '68?" came the prompt reply from Mr Bogdan Lis, the young workers' leader who last weekend came to Britain at the invitation of the TUC.

The censorship, a prominent literary critic admonished me, is as vital to the Soviet system as the Warsaw Pact. Certainly the Soviet ambassador to Warsaw is known to have intervened to block or "correct" reports in the Polish media.

The Poles also take censorship seriously. For example the censors' Central Office stipulates: "Absolutely no information is to be published about the Katowice mine disasters in which four miners lost their lives"; "All publications presenting statistics of safety and hygiene at work or occupational diseases must be withheld" and "Figures illustrating the state and growth of alcoholism in the country are not to appear in the mass media".

These examples are taken from 600 pages smuggled out by a disillusioned censor in 1977 (*The Times*, September 26 and 27, 1977).

Copies were resmuggled back into Poland where they were published by the opposition Social Self-Defence Committee-KOR and read by, among others, workers in the Baltic ports. Which is why freedom of expression came immediately after the right to form free trade unions and the right to strike in the Gdansk demands.

The Gdansk agreement of August 31 stated that a new censorship law should be presented to Parliament within three months.

Six months later a parliamentary commission is still struggling to amalgamate two separate projects: a government scheme prepared by the Ministry of Justice and an independent draft prepared by a committee representing writers, journalists and film-makers.

Although the secretaries of the Writers Union and the PEN club emphasize their opposition to censorship in principle, they agree that in practice Poland's geopolitical position makes some restrictions unavoidable.

The country's system of alliances, its constitution (enshrining socialism), state, military and economic secrets must be counted among the herd of sacred cows.

The argument now revolves around the definition of these prohibited areas. In the original government draft the definitions were so elastic as to permit the operation of the censorship much as before. The authorities are also stubbornly refusing to place the censor's office under parliamentary control.

But they have conceded a measure of judicial supervision and censors will be obliged to give written reasons for their decisions which can then be challenged in a court of law.

They have also promised to drop the practice of censoring the author rather than the text. Until recently it was forbidden so much as to mention the names of many exile and opposition writers in official publications.

This long blacklist of literary unpersons, which incidentally included the greatest living Polish author (last year's Nobel Prize winner, Czeslaw Milosz, for example) will be torn up.

Already the unmentionables have been mentioned and the unpublishable published in the main literary and political weeklies. The books will take longer to appear.

Such is the popular hunger for truthful information in Poland today that there are queues at the newspaper kiosks as long as those outside the butchers' shops.

Arguably, the demand for truth is closely related to the supply of food. As the German philosopher Ernest Bloch once remarked, men do not live by bread alone, *especially* when they have none.

In Poland the supply of truth, like that of meat, varies greatly from day to day and place to place although it is everywhere less than adequate. "What I can write in Cracow I can't write in Warsaw, what I could write yesterday I can't today," a party journalist complains.

The Cracow party newspaper, along with those on the Baltic coast, is among the most audacious. Under a new editor it took up an environmentalist campaign last autumn against the Huta Skawina aluminium works near by.

Pollutants from Huta Skawina have been poisoning the air and ruining the façades of a city which combines the charms of Oxford and Vienna. The authorities have promised that the offending works will be closed—an example of what can happen if you unmuzzle the press.

But since Mr Stefan Olszowski, a powerful opponent of Mr Kania in the Politburo, took over this responsibility in the tense first week of December (when Warsaw Pact troops were mobilized on Poland's frontiers) the media have been firmly muzzled again.

The people most directly involved are those least interested in avoiding confrontation. These are hardliners like Mr Olszowski on the side of the regime and, on the union side, the printers; about 50,000 of the country's 60,000 printers are members of Solidarity.

Their militancy has been nourished by years of reading uncensored first proofs. They are now threatening to leave blank spaces wherever the censor has been at work, a tactic used to great effect by their forebears under the Tsars.

Then there is the knotty question of the spate of publications "without the censorship" (as the opposition carefully describes them). This includes Solidarity newsheets, bulletins, broadsheets and circulars which are duplicated, mimeographed, or increasingly, run off on off-set printing machines donated by Western trade unions. Solidarity has even established its own national press agency.

Journals like *Robotnik* ('The Worker'), produced by opposition intellectuals and circulated conspiratorially among the workers until August, have now come under the aegis of the union.

It is a curious experience for someone from Fleet Street to find trade unionists working day and night to introduce the latest labour-saving technology.

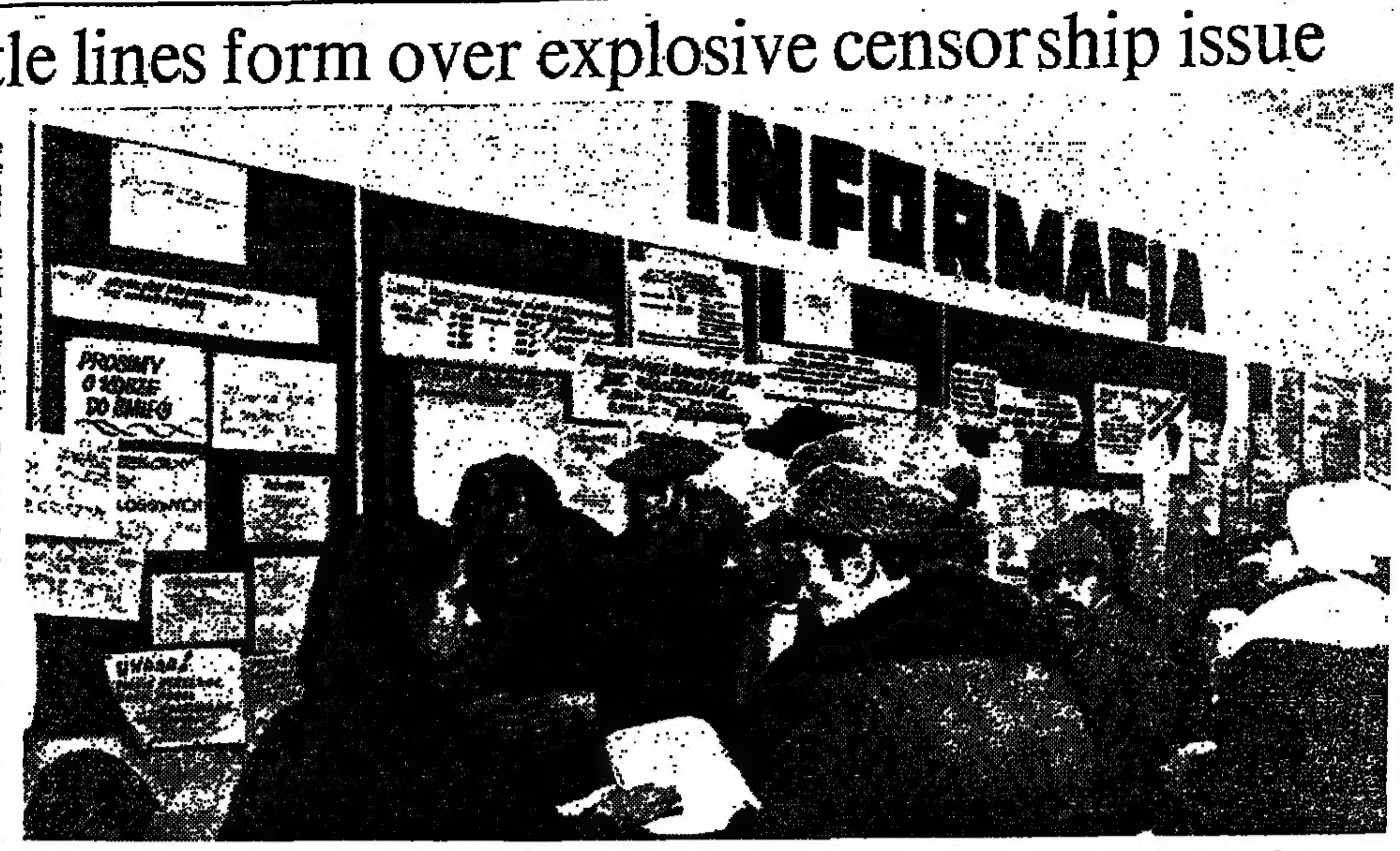
In their Lodz agreement the students gained freedom from censorship for a wide range of academic publications. And the peasants in Rzeszow were promised new school history textbooks which, as their manifesto simply put it, "would tell the truth".

The fact that the rural strikers included this among their demands shows once again that interest in the issue is by no means confined to the intelligentsia.

But, if a new censorship law does finally reach the statute book it will not solve the problem of access for the independent unions to the state-controlled mass media, and that of their own alternative media.

Mr Jan Józef Szczepanski, recently elected secretary of the Writers' Union, points to a further difficulty. Under the present law unofficial publishers like the Nowa house which recently exhibited at the British Book Fair, can not be prosecuted. They can only be persecuted.

It is possible that the new law, by giving a clear legal definition of the unpublishable, would leave them open to prosecution.



Information service: People crowd into a Solidarity office in Warsaw in search of advice and the daily news-letter.

Iran unlikely to accept ceasefire in Gulf war

From Tony Allaway
Tehran, March 5

President Bani-Sadr today indicated that Iran would probably not accept the latest proposals for a ceasefire in the five-month Gulf war with Iraq.

He told a large public rally here that the Iranian Supreme Defence Council was still studying the proposals of a 12-man Islamic peace mission, which is currently shuttling between Tehran, Baghdad and Saudi Arabia. But Mr Bani-Sadr continued to insist on an immediate Iraqi withdrawal from Iran, simultaneous with any ceasefire.

According to proposals submitted by the Islamic mission to the two sides, a ceasefire would begin on March 12 with a withdrawal of Iraqi troops beginning on March and lasting four weeks.

The continuing hard line of Mr Bani-Sadr surprised those close to the mission negotiators, representing seven Muslim countries and the PLO. They have said in private that officials—including the President—connected with Iran's war effort had indicated a willingness for moderation.

Mr Bani-Sadr today blamed his enemies for spreading the rumour "that I am a supporter of compromise with the enemy . . . I undertake in your presence that we will resist in this war until victory".

Informed sources said, however, that while the President might want a speedy end to the war to concentrate on the internal political front, his room to manoeuvre was narrow in the face of open hostility to the negotiations from Iran's powerful Islamic fundamentalists.

An indication of this came today with a strong statement from Ayatollah Hossein Montazeri, currently regarded as the most likely successor to Ayatollah Khomeini as the country's religious leader.

In a letter to the Supreme Defence Council, broadcast by the state radio, the Ayatollah warned that Iranians would accept nothing less than the overthrow of President Saddam Husain of Iraq, and his trial and punishment.

Savage violence: Scores of injuries were reported today as supporters of Mr Bani-Sadr turned the tables on gangs of Muslim fundamentalists who had tried to disrupt a mass rally at Tehran University.

In some of the most savage violence seen since last summer, "Hesbollahis" or supporters of the "Party of God" were mercilessly beaten by crowds who had come to hear a speech by the President.

About 100,000 people had gathered for the rally.

Leading article, page 13

Robots bring Japan little loss of jobs

Continued from page 1

he final assembly of a new generation of automatic robots which are being snapped up by Japan's efficient industrial plants. At present the plant produces 100 sophisticated robots a month.

Fujitsu estimates that a conventional plant would have to employ five times as many workers to produce the same number of complicated robots. By 1986 Fujitsu Fanuc plans to produce four times as many robots and automatic machine-tools with only 200 employees, about one fourteenth of the workforce required in a normal plant.

The president of Fujitsu Fanuc, Mr Seiuemon Inaba, says the company's ultimate aim is to build another robot by 1985 which will completely assemble the finished product. "That is my dream", he says wishfully.

Much to the consternation of the West's embattled industrialists, this new generation of robots and automated machine-tools is expected to increase the productivity of Japan's already highly efficient plants by 70 per cent in the 1980s.

Yet while boasting of the world's most highly automated industrial plants Japan has only a 2 per cent rate of unemployment, the lowest among the world's leading industrial democracies.

In fact, the trade unions here have not resisted the introduction of robots and new technology which have eliminated dangerous and monotonous jobs in many factories.

Accordin gto the Japan Robot Association, 60,000 sophisticated robots are turning out high quality cars, cheap electronic equipment, new robots and other industrial products

American industrial plants possess a mere 3,000 sophisticated industrial robots, defined as automatic equipment which can perform more than one function. West Germany, one of the world's leading industrial powers, is equipped with only 850 robots and Britain tags along with 105.

Reflecting the view of the trade unions, Mr Seigo Kojima, a spokesman for the Japan Council of Metal Workers, says: "We need our robots.

Mr Shamir to meet Pope today

From Christopher Walker
Jerusalem, March 5

Traditional differences between the Vatican and Israel over the status of Jerusalem and its holy places are expected to recemerge in Rome tomorrow when the Pope John gives an audience to Mr Yitzhak Shamir, Israel's hardline Foreign Minister.

The controversial meeting has been arranged at Israel's request and will be the first between the present Pope and an Israel Government minister. In the past a small number of leading Israelis have been granted papal audiences, including Mr Moshe Dayan in 1977 and the late Mrs Golda Meir in 1973.

A spokesman for the Israeli Foreign Ministry explained today that his Government recognized the importance of maintaining "cordial contact" with the papacy, although the Vatican had never recognized Israel "de facto or de jure" and the two states have no formal diplomatic ties.

27 prisoners burnt to death in Peru

Lima, March 5.—Twenty-seven prisoners were burnt to death in a prison riot here today when a gang of inmates doused their locked cells with paraffin.

Nineteen prisoners were also stabbed with homemade knives or severely burnt in the fight at the three-storey concrete building in central Lima, which was designed to house 250 but had a population of 1,096.

Señor José Vásquez Estremadoyro, director general of the prison system, said a fist and knife fight between two rival gangs broke out yesterday evening and guards fired machine guns into the air to disperse them.

The fighting resumed and more than 100 inmates not involved in the dispute took refuge in their cells on the third floor of the prison, he said. Someone placed a master bar across the cells, Señor Vásquez said, preventing the inmates from escaping.—AP.

'Doves' losing El Salvador fight

From David Cross
Washington, March 5

The doves in Congress appear to be losing their vigorous, but limited battle to restrict increased American military aid to El Salvador.

Senator Alan Cranston, the Democratic Whip in the Upper House, has conceded that continuing criticism by liberal Democrats in both houses of Congress of the Administration's latest plans to send an extra 20 American military advisers and $25m (£12m) worth of aid to the Government in San Salvador will probably not deter President Reagan and Mr Alexander Haig, the Secretary of State.

Nevertheless a small, vocal group of about 40 liberal Democrats in the House of Representatives are persisting with their efforts to prevent Washington from making the conflict in the tiny Central American republic a "Test of wills" between the two superpowers. Mr Benjamin Rosenthal, a Democratic Congressman from New York, said that such a test was "mistaken and provocative."

Mr Richard Ottinger, another member of the House of Representatives, of New York, is trying to force the Administration to seek the approval of Congress before the extra military aid can be sent to the Government of El Salvador.

Yesterday, he introduced a draft resolution seeking to require the President to comply with the War Powers Act, which was introduced in 1973 to prevent another Vietnam. "To allow the President to commit military personnel to El Salvador while ignoring the act would be a great setback to the democratic process," Mr Ottinger said.

The State Department, however, contends that the latest aid for El Salvador falls outside the scope of the War Powers Act. It argues that the 20 extra military personnel are instructors rather than advisers. Their job is to teach people how to use equipment not how to fight a war, a State Department official has explained.

Most members of Congress, including many moderate Democrats, appear to agree with the Administration's rationale for sending extra military aid to El Salvador.

The United States had to convince the Soviet Union and Cuba that it did not intend "to let them influence the course of events inordinately" in Central America, Senator John Tower, chairman of the Senate armed services committee explained today.

Outside Congress, opposition by the general public to American intervention in El Salvador has been equally limited.

Meanwhile, Mr Haig has told reporters that the future commitment of American aid to El Salvador will depend "largely on the willingness of Cuba and the Soviet Union to continue to intervene illegally in the events in this hemisphere". He reiterated his earlier warnings that communist behaviour on America's doorstep was "no longer acceptable or tolerable".

German concern: Herr Hans Dietrich Genscher, the West German Foreign Minister, will advocate a dialogue between the two sides in the El Salvador conflict while in Washington next week, officials said today (Patricia Clough writes from Bonn).

At the same time the two big West German political parties are continuing their efforts to get the two sides together for talks.

The German aims, prompted by fear of an East-West conflict in Latin America, diverge from the United States policy of firmly backing the centre-right junta of President José Napoleon Duarte. High-ranking Government sources said the subject wil lneed "very careful handling".

Originally, the sources said the West German government feared that tse United States, alarmed by communist encroachment on its diorstep would react with what they called "a western Afghanistan".

Such a move, which they emphasized would have been "a reverse Afghanistan rather than a second Vietnam", would have had "devastating consequences" for the United States' image in the Third World and elsewhere, and for East-West relations.

These points were put to Mr Lawrence Eagleburger, President Reagan's special envoy, who came to Bonn two weeks ago to put American views on El Salvador.

President Duarte denouncing the extreme right wing.

Five shots flush out America

From Michael Leapman
San Salvador, March 5

The curious events of the last two days here have served to crystallize the positions of some of the main participants in this small country's convoluted diplomacy.

The Americans have now come down unequivocally in favour of the moderate reformism of President José Napoleon Duarte and against the excesses of the extreme right. That there should have been any doubt where the Americans stood derived from the impression given by members of President Reagan's Administration that defeating global communism was an object so important for the United States that almost anything would be countenanced in its name.

Señor Roberto d'Aubuisson, the former national guard major who began the chain of events on Tuesday, says that he thought he had received that message. He called a "secret" press conference to announce that things looked favourable for a far-right coup and to indicate that he expected American support for it.

The excessively conspiratorial arrangements for the conference would have been laughable—a kind of "Dads' insurgency"— were it not that the extreme right does appear to be genuinely vicious and to have support from rich businessmen and army officers.

President Duart took him seriously enough to denounce him and all plotters at his press conference yesterday and to declare that he had issued a warrant for his arrest. As he was making this announcement the event occurred which flushed the Americans from their public indecision.

Men in an open lorry, cruising past the American embassy, fired five shots, doing hardly any damage and injuring nobody. On what seemed the flimsiest of evidence the ambassador, Mr Frederick Chapin, blamed followers of Señor d'Abuisson. He made a firm deunciation of any coup plans and a statement of support for a Señor Duarte.

Parallel with this, there has been talk this week of a "dialogue" between the Duarte Government and the left-wing rebels. Such an idea is anathema to the far right.

Americans are staying silent on the question of dialogue. To embrace the idea would conflict with Mr Reagan's philosophy of confronting communism rather than coming to terms with it.

Yet if the process were eventually to result in a popular but clearly not a communist dominated government—an outcome a long way into the future—the Americans might live with it.

Another Beirut link is broken by snipers

From Robert Fisk
Beirut, March 5

A lone motorist risked the Sodeco crossing point from east to west Beirut this afternoon. A middle-aged man, he drove his black limousine along the old dual carriageway, swerving wildly between weed-covered pavements and bullet-pocked lamp posts in a haze of brown dust.

There was a crackle of rifle fire as Beirut's traditionally anonymous snipers tried vainly to smash the driver's Icarus-like self-confidence. But he made it to the cover of Becharra el-Khoury Street in seven seconds flat.

Until three weeks ago, the Sodeco shopping centre, a damaged set of offices boasting a row of slightly dated boutiques, marked the safest transit point between Muslim and Christian Beirut, a thoroughfare whose dingy and scarred apartment blocks were given some semblance of order by the neatly sand-bagged check point of the Lebanese Army at the eastern end of the street.

The sandbags were still there this afternoon, surmounted by two tiny Lebanese flags—all red stripes and cedar trees—but the soldiers were nowhere to be seen.

And nor, of course, were the snipers. Their identity has become something of a talking point in Beirut since the Sodeco road was declared unsafe by the local gendarmerie. For the closure of the street has extended Beirut's sectarian isolation a further mile and a half across the centre of the city.

The longest but fastest route from east to west—an ugly four-lane flyover near the port—has been closed for more than a year because gunmen sitting inside the ruined factories and shops have shot at every motorist trying to use the road. Now the only main road still opens traverses the old civil war frontline at the Classical Museum, currently the scene of spectacular three-mile, all-day traffic jams.

The Lebanese Government, who earnestly and daily debate the problems of Beirut's miniature war, seem to have no idea who is shooting at the innocent travellers along the Sodeco road nor why they should attack civilians in so savage a manner.

Among the eight deaths to be recorded there in the past three weeks is that of a seven-year-old girl who was hit by a sniper's bullet while travelling in her father's car past the end of the street, and two young men who were picked off last week as they walked past the local offices of the Finance Ministry's revenue department in Becharra el-Khoury.

The Syrian Army, which notionally controls most of west Beirut, blames the Christian Maronite militias—in particular, the Phalangists of Mr Beshir Gemayel—for the shooting, claiming that the militias are merely continuing their attempts to isolate themselves from the rest of Lebanon and divide the country.

Phalangist snipers have certainly been operating around the port for many months and their after-dark battles with Syrian-officered guerrillas of the Palestine Liberation Army near the harbour—a series of nightly thumps and bangs that rumble over the city—have long been a part of Beirut's more routine violence.

The militias—or the "Lebanese Forces" as they prefer to call themselves—say that Palestinian and Syrian snipers are responsible for the shooting at Sodeco. The official Phalangist spokesman suggested rather darkly today that the Syrians wanted the violence to continue in Beirut so that they could find good reason to keep their army in Lebanon.

Aware that President Sarkis of Lebanon is to meet President Assad of Syria next week, the Syrians had deliberately escalated the fighting between east and west Beirut.

According to the Phalangists, President Assad would then be able to de-escalate the Sodeco sniping without suppressing the battles elsewhere in the capital and Mr Sarkis would be able to declare that the situation had improved while his Syrian counterpart would still find good reason to keep his troops in the city.

In Lebanon, violence becomes enormously conspiratorial wh enthe authorities lose their grip—as they usually do in Beirut, despite all their brave attempts to keep control. The fact remains that since the civil war ended, no one has ever positively identified the snipers who line the city's transit routes.

The only consistent thing about the whole business has been the persistence of Beirut's more foolhardy travellers in driving in the shadow of death along the city's east-west carriageways.

A motor cyclist was about to try the west-to-east journey past Sodeco this afternoon and those of us in Becharra el-Khoury Street saw him, head down and foot on th eaccelerator, start his journey towards the infamous shopping centre. But no one waited to find out what happened on his lonely journey.

German loan for India

Delhi, March 5.—West Germany today pledged India funds to acquire a deep-sea research vessel. An agreement providing for a loan and grant amounting to £15m has been signed.

South Korea assured of British support for its defence policies

From Jacqueline Reditt
Seoul, March 5

The British Government and President Chun Doo Hwan of South Korea hold very similar views on the defence of non-communist countries against the Soviet Union and North Korea, Mr Peter Blaker, Minister of State at the Foreign Office, told a press conference in Seoul today.

Mr Blaker was in Seoul to represent the British Government at the recent inauguration of President Chun.

He told the press that he had delivered a letter from Mrs Margaret Thatcher, the British Prime Minister, to the South Korean President and that he and General Chun had discussed international affairs and found British and Korean government attitudes very similar.

It was increasingly evident, he went on, that the countries of the free world were dependent on one another so that political and economic cooperation between Britain and South Korea was important.

Non-communist countries had to maintain their defence, build up strong economies, cooperate economically and politically and make it clear to the Soviet Union that aggression did not pay.

Mr Blaker confirmed that Britain would certainly be prepared to sell military equipment to South Korea and said that the Hawk trainer ground attack aircraft and the Rapier anti-air defence missile would be particularly suitable. He also guaranteed that Britain would not export any military equipment to North Korea.

Asked if the British Government was satisfied that democracy had been restored in South Korea, Mr Blaker said that his Government welcomed the fact that clemency had been that how internal affairs were the leading dissident, and that more than 5,000 people had recently been granted presidential clemency, but beyond that how internal matters were managed was a matter for Korea.

The South Korean Government today announced that a general election would be held on March 25. The first hint that the election will not be exactly open to all comers came with the news that the deposit for political party nominees will be nearly £5,000 and for independent candidates about £10,000. These deposits will be forfeited to the Government if a candidate fails to win at least one third of the votes. Such measures will certainly reduce the number of candidates.

As the election campaign gets under way, the Democratic Justice Party is the clear favourite. With President Chun as its leader, the party cannot fail to benefit from the continual publicity and increasing adulation he has been receiving.

The President's photograph has appeared almost every day on the front pages of the newspapers, and many columns and special supplements have been devoted to him. In a recent poem presented at a cultural programme of the inauguration ceremony, he was referred to as the "wise and trusted helmsman"—an expression China watchers once associated with Chairman Mao Tse-tung.

UN staff in Uganda threatened with death

From Charles Harrison
Nairobi, March 5

United Nations employees in Uganda have been threatened with murder or kidnapping by one of several underground groups operating against the Government of President Milton Obote, UN officials said today.

United Nations offices in Kampala were closed yesterday while officials sought assurances from the Government that protection would be provided for the Organization's 100 employees in Uganda. Demands have been made in letters and telephone calls to the United Nations office that the organization should cease supporting the Obote Government.

One of the underground groups, calling itself the Movement for the Support of People's Rights, claimed today that it had killed 19 Tanzanian soldiers and 31 Ugandan troops in two ambushes on a main road north of Kampala. The movement says its aim is to overthrow the Obote Government because the December election was rigged.

Another underground group, the Uganda Freedom Movement, claims to have organized the defection of several hundred Ugandan troops.

An assistant minister acknowledged the existence of the anti-government groups when he urged young people not to join.

President Obote insists that the rebels have no significant following, and are a small group of dissidents. But diplomatic sources say the undercurrent of unrest and dissent is widespread.

In brief

Aid released for Atlanta blacks

Washington, March 5.—President Reagan has decided to release about £4,500m in federal aid for programmes to help blacks in Atlanta, where 19 black children have recently been murdered.

Mr James Brady, the White House press secretary, said the money would be used for scholarships and youth centres for underprivileged black children in the southern city.

Tanzania faces famine

Dar es Salaam, March 5.—President Nyere of Tanzania has said that thousands of his countrymen might die of hunger next year because of a lack of food due to adverse weather. The four lake regions — Mwanza, Mara, Qinyanga and Kagera—faced a very bad food situation.

Englishmen jailed

New York, March 5.—Two Englishment have been sentenced to between two and four years in jail each for stealing diamonds, worth nearly £80,000, from two Manhattan jewelry stores. They are Desmond Robertson, aged 49, of Middlesex, and Brian Kutner, aged 50, of London.

Russians condemned

Geneva, March 5.—The Soviet Union has been condemned by the International Labour Organization for not permitting free trade unions to function. The Russians told the organization that various individuals, who were now in prison or in clinics in the Soviet Union, were not authentic trade unionists.

Sailors suffocated

Tokyo, March 5.—All nine sailors who were killed on a Soviet nuclear submarine off the southern Japanese island of Okinawa last August were suffocated by the ship's fire-fighting system, Soviet sources said here.

More funds needed

Bangkok, March 5.—International relief agencies at a New York meeting tomorrow will state that £57.7m is still needed to prevent Kampuchea sliding back into disaster this year.

Swapo toll put at 73

Windhoek, March 5.—South African security forces killed 73 Swapo guerrillas in the northern part of Namiba during February, according to an army statement.

Colombia amnesty

Bogota, March 5.—The Colombian Congress has approved an amnesty Bill for left-wing guerrillas in a move to end violence in the country.

28 flown from hijack ordeal in Kabul

From Hasan Akhtar
Islamabad, March 5

A group of 28 passengers, mainly women and children, who were released at Kabul airport yesterday by the hijackers of a Pakistani aircraft, were flown to Peshawar this afternoon.

They were told by the Ministry of Defence to speak cautiously about their four-day ordeal because the remaining 120 passengers and crew were still being held in the hijacked aircraft.

According to witnesses in Peshawar, the freed women and children appeared to be highly emotional. Some cried hysterically and others knelt down and prayed in thanksgiving for their safe deliverance from the hijackers, who forced the Pakistan International Airlines aircraft, which was on a domestic flight from Karachi to Peshawar, to divert to Kabul on Monday.

Lieutenant-General Fazle Haq, the Governor of the North-West Frontier Province, was present at the airport as the representative of President Zia ul-Haq, who is due to return later tonight from his Islamic peace mission to the Gulf. President mission to the Gulf.

Although the passengers were apparently forbidden to speak in detail about their experiences as prisoners in the Boeing 720, some of them said that they were not treated unkindly by the hijackers.

The United States Embassy said there were two American women still on the aircraft and possibly the husband of one of them.

There are believed to be three hijackers, apparently Pakistanis, who belong to a militant extremist pro-Bhutto group called Al-Zulfiqar. (Zulfiqar Ali Bhutto was the late Prime Minister of Pakistan.)

Pakistan has not said a word officially about the reported conditions demanded by the hijackers for the release of the remaining passengers.

However, according to Kabul radio, the hijackers have demanded the release of all political prisoners in Pakistan, especially those who were arrested or detained in recent weeks in connexion with a nine-party movement for the restoration of democracy in the country.

It is believed that officials have been handicapped in taking any decision over the hostages because of the absence of President Zia.

Canberra to restrict Russians

Canberra, March 5.—The Australian Government today tightened its restrictions on visitors from the Soviet Union.

From now on, all Soviet visitors will have to submit a detailed itinerary before arrival and the Immigration Department must be notified if changes are proposed

A Government statement noted that the restrictions applying to Australians visiting the Soviet Union were considerably more stringent than the new arrangements applying to Soviet visitors.

Mr Malcolm Fraser, the Prime Minister, told Parliament last night that Australian-Soviet relations would not return to normal until Soviet troops were withdrawn from Afghanistan.

The Australian restrictions came after Mr Fraser had criticized Mr Nikolai Sudarikov, the Soviet Ambassador, for his remarks to reporters that Australia's foreign policy was turning the country into a nuclear target.

"The ambassador's remarks were foolish," Mr Fraser told Parliament.—Agence France-Presse, and UPI.

Search for compromise on Belize

By David Spanier
Diplomatic Correspondent

Negotiations between Britain and Guatemala on the future of Belize opened in London yesterday. The delegates agreed that nothing would be said about their discussions until they were over.

The central question is whether a compromise, wrapped up in an economic development programme for Guatemala, can be found between Guatemala's territorial claims on Belize and Belize's rejection, supported by Britain, of any cession of territory.

In a statement yesterday, Señor Castillo Valdez, the Guatembalan Foreign Minister, looked forward to "a lasting, just, honourable and politically viable solution".

The positive tone of this statement supports the indications of progress evident in the recent talks at official level in Rights record: Guatemala had one of the worst human rights records in the western hemisphere last year, according to a study released by the Council on Hemispheric Relations

Cuba blamed for envoys' expulsion

Washington, March 5.—The State Department accused Cuba today of creating a diplomatic incident which led to the expulsion of six Americans from Mozambique.

The Mozambique Foreign Ministry yesterday ordered four American diplomats and the wives of two of them to leave the country within 48 hours, accusing them of "espionage, subversion and interference in Mozambique's affairs".

Mr Joseph Reap, the State Department spokesman, said: "It is not our normal practice to comment on these matters. However, I would like to draw attention to some extraordinary circumstances in the case.

"We are aware of the visit to Maputo of a very senior member of the Cuban counter-intelligence organization. Cuban officials staged a blatant confrontation with our embassy only hours before the Foreign Minister informed the members of our diplomatic mission that they were requested to leave the country in 48 hours."

The State Department was also aware that a group of Americans opposed to intelligence gathering were visiting Mozambique during the period.

Officials said they were unable at present to give further details of the Cuban-American "confrontation" which, they believed had led to the expulsion order.

The four embassy staff members were ordered out for alleged espionage activities, while the two wives were expelled for "carrying out support" for their husbands' work.—UPI.

S African connexion: Mozambique's decision to expel the American diplomats who were allegedly members of a Central Intelligence Agency spy network appears to be directly linked to last January's raid by South African troops against houses belonging to the African National Congress (ANC) outside Maputo (Nicholas Ashford writes from Johannesburg).

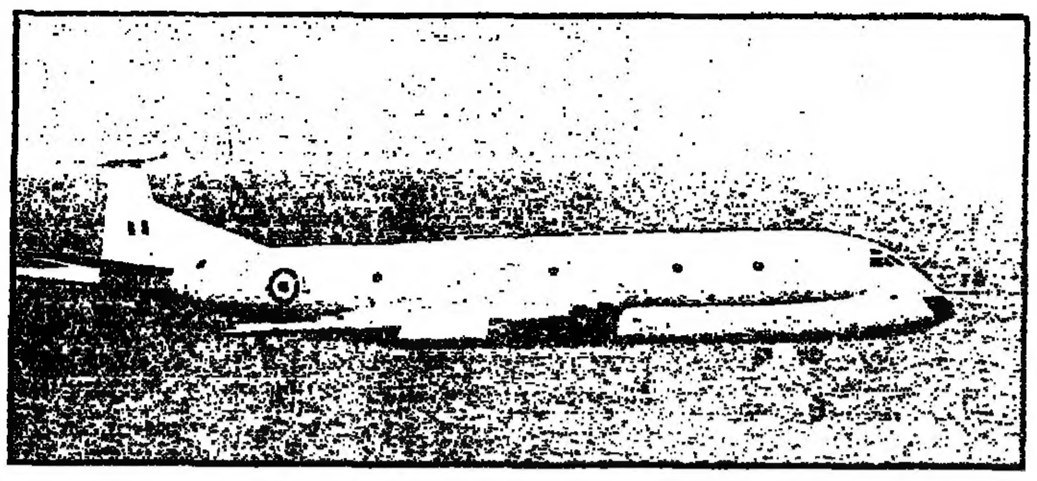
A Mozambican communiqué claimed that an American spy network, which had allegedly existed in Mozambique since the country became independent in 1975, had passed on information to the South African intelligence services about ANC activities in Mozambique. It was probable, the communiqué said, that information provided by the Americans had helped the South Africans to pinpoint the ANC houses in which 12 people were killed during the raid.

Western diplomats in Maputo and Pretoria said today that the Mozambican action against the American diplomats confirmed their fears that last January's South African raid would force Mozambique to turn away from the West and establish closer ties with Soviet-block countries, even though Mozambique was anxious to attract development aid and investment from the United States.

American sources in Pretoria said the expulsions followed an abortive attempt by Cuban agents to recruit one of the American diplomats as a spy.

FOREIGN REPORT

Stormy journey towards adoption of EEC fisheries policy



An RAF Nimrod patrolling British waters in order to photograph and send back information to the Ministry of Information.

When a minesweeper or a reconnaissance aircraft sees a fishing boat in British waters, the details are sent back to the operations room of the Ministry of Agriculture. The room is dominated by a large wall map which shows all 270,000 square miles of sea which fall within the 200-mile national maritime zone which is attributed to Britain under international law.

Boats of different nationalities are identified on the map by stickers of different colours. The information is updated daily and stored in a card index. The index offers ministers a complete record of sightings since 200-mile limits were established five years ago.

It is now being superseded by a computer bank from which the Government can extract a master chart showing the pattern of fishing by foreign vessels in British waters. The information is costly to acquire, but of cardinal importance in the present round of bargaining in Brussels about an EEC common fisheries policy.

When ministers resume their debate they will concentrate on a compromise by which British waters will be protected while boats from abroad are allowed to fish in those parts of the British maritime zone where they have congregated in the past.

The argument about "historic rights" is one of the most vexed of all in the long and stormy process towards adopting a Community policy for sharing and policing the catching of fish in the waters of member states.

The present half-way policy will expire next year. The European Commission operates on the basis that there are no national waters, but only Community waters. The Community must find a compromise between the aims of those British fishermen who want a wide exclusive zone round British coasts and those in other countries who want unrestricted access to those coasts.

Compromise is aimed at restricting catching methods in some waters while keeping foreign boats out of all areas except those on which they have depended for a living in the past. One serious obstacle is to agree about precisely who has been accustomed to fish, and where they have done it.

The information collected by the British ministry's operations room gives this country's negotiators a clearer picture than anyone else of the extent and position of traditional fishing.

If another Community government claims that its fishermen have worked regularly in a particular section of British waters, the operations room will be able to indicate whether the claim is true.

Surveillance is done by ships and aircraft working together. An RAF Nimrod, which spots a boat, will circle at about 200 knots and make several passes at about 400 feet while a member of the crew photographs the boat with a hand-held camera.

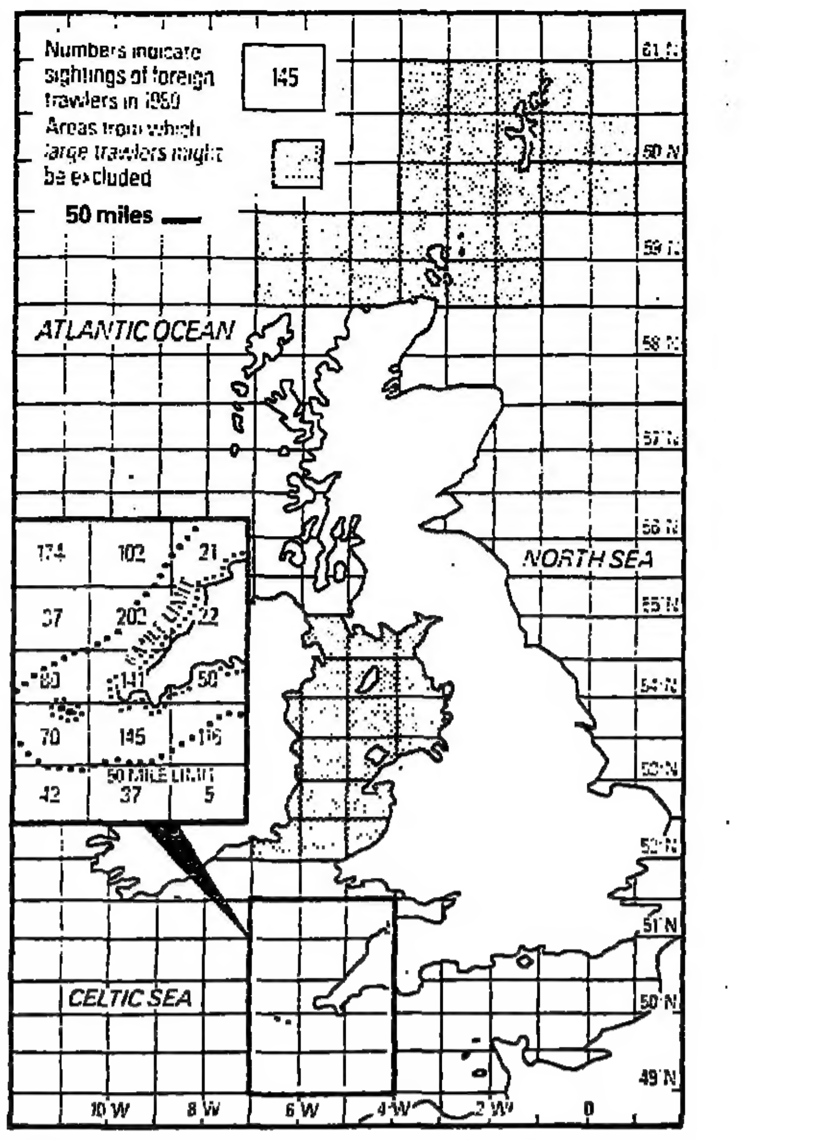
Detailed photography is difficult in such conditions, but it is often possible for the operations room staff in Westminster to pick out the names of boats from photographs. If the boat appears to be in the wrong place, or to be using illegal gear, a naval vessel may be sent to it.

All information given to the unarmed boarding parties, including remarks made by the skippers of fishing boats, is sent back to the operations room. One such report, transmitted last month, reads: "Skipper said best fishing this area for a year. Where are the British boats?" The answer was that they were in port as their owners were protesting at being undercut by cheap catches from abroad.

Another naval vessel was sent to investigate a trawler which appeared to be fishing in an area where catches are banned. As it closed, all lights on the trawler were turned off. Repeated radio messages to the trawler went unanswered for 25 minutes. Eventually the naval crew picked out the name of the trawler with a searchlight. It was owned by a British company and based in a British port.

Widespread publicity about breaches of fishing rules by boats based abroad implies that British skippers fish by the book. But the operations room staff know that British crews, hardened by dodging Icelandic surveillance in successive cod wars, are far from innocent. It is the independent boat-owner from the Continent who is more likely to be intimidated by the large military aircraft which keeps flying low over his boat.

Hugh Clayton



Shaded areas show waters from which large trawlers would be banned under a compromise put forward at last month's unsuccessful EEC fisheries meeting. Britain still hopes to secure a ban in much of the 50-mile limit round its northern coasts.

The inset shows part of a computerized master chart on which the Government has plotted the positions of all foreign trawlers spotted in British waters by fishermen, the Royal Navy and the RAF last year.

There is a heavy concentration of boats in several areas, including south-west England, while other waters are almost never fished.

The chart will ensure that British ministers are better equipped than their counterparts from the rest of the Community to assess claims from abroad for rights to fish near this country's coasts. Such claims are based on the number of past voyages near Britain by foreign vessels.

Sources: Inset, Ministry of Agriculture; Map, Fishing News.

Indications are that Ontario's Tories will recover their absolute majority

Backers of Mr Trudeau

Mr William Davis, Premier of Ontario

"Faithful to the end": Ontario's emblem

Electing Conservative governments has long since become an ingrained habit with the people of Ontario, Canada's most populous and most economically powerful province. And it looks as though the habit will be duly perpetuated in the provincial general election on March 19.

In fact, indications are that the Tories under their Premier, Mr William Davis, will recover the absolute majority which eluded them in the last two elections, in 1975 and 1977.

The standings in the 125-seat legislature at the dissolution were Conservatives 58 seats, Liberals 34, NDP 33.

A recent opinion poll gave them 38 per cent of the popular vote against 19 per cent for the Liberals, now the official Opposition, and 13 per cent for the socialist New Democratic Party (NDP).

Excluding undecided voters and non-voters, and those who did not respond to the pollsters' questions, the Tories have 54 per cent—enough for a comfortable majority. The Liberals have 27 per cent and the NDP, 18 per cent.

In any event, barring an unlikely eruption of anti-government voter sentiment on the scale of Mount St Helens between now and March 19, the Conservatives will maintain the hold on office which they have enjoyed uninterruptedly since 1943.

The campaign has been relatively tame, with neither Mr Stuart Smith, the Liberal leader, nor Mr Michael Cassidy, the NDP leader, lighting any fires of the kind that would be necessary to sweep the well-entrenched Tories out of office.

It is a campaign that accords well with the images and atmospherics that the Tories' "big blue machine" is seeking to build around the election: of a well-off province of nine million people, content despite trying economic times, and "comfortable" under a Premier whom many regard as a father figure.

No overriding issue has emerged, although the opposition parties are doing their best to make campaign capital out of the growing number of plant closures, and increased unemployment, associated with the recession.

Mr Smith, a 42-year-old psychiatrist fighting his first campaign as Liberal leader, has even gone so far as to announce that he will confine himself to economic issues.

To back up his theme of economic mismanagement, he asserts that Ontario has fallen to last place among Canada's 10 provinces in terms of economic growth.

Whether this economic-woes-and-nothing-else strategy is having the desired impact is doubtful. For one thing it has enabled Mr Davis, a former lawyer with 22 years of experience on the campaign trail, half of them as Premier, to nail Mr Smith with the nickname Dr Negative (in some versions Dr No). It has not exactly helped the relative neophyte get his campaign off the ground.

Mr Cassidy, aged 43, a former newspaper man also fighting his first campaign as leader, repeatedly talks about the 68 plant shutdowns in Ontario last year, affecting 30,000 workers.

Mr Davis patiently counters with the argument that while the Ontario economy does have its weak spots, it is performing well in comparison with competing industrialized regions just across the border in the United States.

The Tories contrived, apparently with some success, to blunt the opposition economic attack in advance by unveiling—just prior to the election announcement—$1,500m scheme for economic development under a proposed board of industrial leadership and development. This is part of a wider Tory strategy to emphasize the promise of Ontario.

The great issues dominating Canadian politics these days—the federal Government's plan to bring home the constitution from Britain, and the battle between Alberta and the federal Government over energy—have scarcely caused a ripple in the Ontario campaign.

Mr Davis, very astutely from a narrow political standpoint, has broken with all but one of the other nine provincial premiers to get behind Mr Pierre Trudeau, the Liberal Prime Minister, on the constitutional issue.

Ontario, though it has a large French-speaking minority, is exempt from the compulsory bilingualism provisions of the proposed new constitution.

Though it cannot be proven, some political observers suspect there is more than a casual connexion between the two circumstances.

Ontario is also the province which gains most from Mr Trudeau's policy of keeping the price of Canadian oil—most of which is produced in Alberta—sheltered from world market forces and artificially low. The policy enormously helps Ontario, Canada's industrial heartland, by making its manufactured products more competitive at home and abroad.

Neither of the opposition parties is challenging Mr Davis very loudly on the energy and linguistic issues, because they know his stand is popular with the overwhelming majority of the voters.

All in all, Ontario gives the appearance of being too well-heeled and too complacent to be in the mood for any political convulsions this time round.

John Best

10 drug traffickers await their fate on Changi's death row

Mr Ong Ah Chuan was taken from his Changi prison cell in the gaunt, grey, February dawn and hanged for trafficking in heroin. On death row 10 others await a similar fate, including two women.

Mr Ong was the seventh person to die for trafficking in more than 1oz of pure heroin since Singapore made the death penalty mandatory for such an offence eight years ago. Like others before him, he had appealed to the Privy Council in London and to Mr Benjamin Sheares, President of the republic.

Like those of the others, Mr Ong's appeals failed. Although there is no death penalty in Britain the privy council will intervene in Singapore only if it feels there has been a miscarriage or abuse of justice. Mr Sheares has the power to grant a pardon.

Mr Ong, aged 23 at the time, was found in possession of 7oz of heroin four years ago when the heroin epidemic in Singapore was at its height. Abusers of hard drugs can expect rigorous treatment. Traffickers can expect little mercy.

Looking at the figures for heroin addicts and users, one can see why. The heroin problem hit Singapore with hurricane force. In 1972 there were four cases of heroin abuse and addiction. Four years later there were between 10,000 and 12,000 in one of the world's most densely populated countries which is the size of the Isle of Wight.

There were a number of reasons for the explosion. The ones familiar in the West: the desire to try something new; the feeling that if you have not tried the experience you are somehow outside the main stream. Singapore also had some reasons of its own: the high pressure to succeed on students; peer group pressure; and, experts now admit, government policy towards heroin users.

In the early 1970s the main method of treatment for heroin addiction was clinical treatment with gradually reducing dosages of the drug until the intake was reduced to zero. Alternatively, methodone substitution was used.

After a six-month course with government-supplied drugs the former user was back on the street without money. Within a short space of time the drug pushers were offering the former addicts a "percentage" in heroin to do their marketing for them.

The pressure to introduce more young people to the habit became a question of providing for the addict's own renewed needs. The use of heroin spread like a monsoon flash-flood through the republic.

Drug users were found in the Army. The police academy found that 13 of its recruits were heroin users. In 1974 five young girls were found taking heroin. In succeeding years the number ran into hundreds. The Government launched Operation Ferret to identify and isolate heroin users and pushers and take them into the drug rehabilitation centre for treatment.

As one expert said: "Normally if you are ill you tend to isolate yourself. The heroin users seek out company. They are contagious."

But in a society as small and compact as that in Singapore the stigma of an arrest and conviction for the possession of drugs could have a devastating effect on the future of a young person, so the Government moved to make the handling of such drug users as anonymous as possible.

Suspects are given urine tests to see if they are drug users. One sample is held by the investigating authorities and the other by the suspect. The result may be appealed.

If the urine test proves positive the user goes for compulsory treatment, which now takes the form of an initial period of "cold turkey": recuperation, rehabilitation and then a period of strenuous physical exercise under military discipline.

There is now an extensive after-care operation run by about one thousand unpaid volunteers. Many of them are former inmates of the rehabilitation centre.

The "cold turkey" method, harsh though it is, has resulted in far fewer relapses by former heroin users and the epidemic of the 1970s seems to have been brought well under control with about a thousand hard-core addicts left.

Uniformed groups such as Scouts and Girl Guides go through training courses in the dangers of drug use to earn anti-drug badges and local community association involvement ensures that Singaporean society is effectively inculcated with the message.

Even two thirds of the Singapore Anti-Narcotics Association budget is raised through subscription. It will not be for lack of trying if Singapore, ultimate[illegible] kick the habit.

tts

Government remains firm against pay demand by Civil Service: increase must be within cash limits

House of Lords

Lord Soames, Lord President of the Council and Minister for the Civil Service, in a statement about Monday's proposed strike by civil servants, made it clear that the Government cannot increase its offer of 7 per cent. Many in the private sector would regard it as a good offer, he said.

Lord Soames said: I want to take this opportunity to explain to the House and to the country the present situation regarding the threatened Civil Service strike on Monday. The Government has offered to non-industrial civil servants an increase of 7 per cent from April 1 together with a clear statement of our desire and intention to establish for the future a new, ordered and agreed system for determining Civil Service pay.

For 1981-82 all the public services are operating within cash limits set on the basis of factors of 6 per cent for pay and 11 per cent for prices. For the Civil Service, where the Government is the direct paymaster, it will be possible albeit with considerable difficulty to squeeze a pay increase of 7 per cent from the resources available within the cash limit. That is simply as far as we can go.

Other groups like the local authority manual workers and the teachers in England and Wales and in Scotland are settling at about the same level within the constraints imposed by the cash limit. It is evident from this that there is no question of discrimination against the Civil Service.

There are many people in private industry who would feel that such an offer at this time could be classed as a good one, given the general economic climate and the relative job security that civil servants enjoy.

I know that civil servants are concerned as much about future arrangements for determining Civil Service pay as they are about this year's cash offer.

In August last year I explained to the union leaders that, given the overriding need in the broad national interest for increases in pay to be very restricted, the emphasis in 1981 would have to be on cash limits, reflecting what the Government felt the nation could afford. It was not therefore possible for the Government to operate the existing pay research arrangements in the normal way and in October I suspended them.

A further cause for concern is the pay research system itself which is now more than 25 years old. Over the years it has become top heavy and cumbersome in its operations. It no longer commands general confidence. What is now needed is a thorough overhaul—and this is something I believe to be recognized by the unions as well as by ourselves.

I recognize that civil servants fear that the imposition of increases based on cash limits this year coupled with the suspension of the present arrangements could mean that the Government intends that Civil Service pay should be imposed by fiat each year. But this is not the case. I told the union leaders on February 23:

"The Government intends to review the arrangements for determining the pay of non-industrial civil servants with the object of establishing as soon as practicable an ordered and agreed system which takes account of all relevant factors and which will command the widest possible acceptance."

Evidently that review has to take place before we can see clearly how the new system will be shaped. We have made every effort to clarify the Government's position and, so far as possible at this stage, to explain our intentions to the union leaders.

Recognizing their concern about such matters as independent fact-finding, comparisons with terms and conditions of service outside, and arbitration, we have made clear to them that these as well as other relevant factors like job security would be covered in the review. We will welcome further discussions as the review proceeds.

The Government therefore finds it hard to understand how in these circumstances the union leaders justify their recourse to the extreme step of recommending industrial action to their members.

I hope that the union leaders will think it in the best interests of the Civil Service for them to concentrate on making their contribution to the thinking on the new system rather than calling for industrial action from which the country is bound to suffer.

Lord Peart (Lab) leader of the Opposition peers, said: The Government, which is opposed to pay policy, is imposing one on one of the most reasonable and responsible groups in the country.

I deplore the action, but I still believe that common sense can prevail if there are more meetings and negotiations.

What is the new and agreed system for determining civil servants pay? How is it going to differ from the pay research system? Will the review be operative for the 1982 Civil Service pay settlement?

Lord Rochester (L): I regret that members of the Civil Service should be contemplating strike action in view of their responsibilities to the state.

On the main issue of the overall increase in pay, we give the Government our support, and join in their plea to the union leaders even at this late stage to withdraw the recommendation to their members to take industrial action and give our support in trying to work out some new arrangement for pay determination within the Civil Service.

Is Lord Soames satisfied that the salary structure within the Civil Service in terms of pay differentials within the various groups is altogether appropriate? If not, can he assure us that this matter will receive his urgent attention?

Lord Soames: I do not think differentials are ever altogether right and this has not been helped by the fact that the pay research system recommends pay levels in the Civil Service as a whole and the Top Salary Review Body recommends pay levels in the higher echelons. Differentials have been a problem and this is something we must consider.

What we have done is impose cash limits upon the pay not only of the Civil Service but also the national health service, and, where the Government is concerned with its rate support grant, for local authorities as well. This is, of course, because we believe it to be in the national interest. Pay is a high proportion of total Government expenditure, particularly in these areas.

Pay increases generally in this round since September have been on average under 9 per cent, so I cannot see sufficient for a difference here. There have been many well below 7 per cent and many have been glad to have any at all.

It is the Government's duty and responsibility to the country in the present economic situation to keep the pay increases to the public service within strict cash limits.

As to whether the new system will be in place by 1982, we are launching into a review of the system which has served us well but which has become technical and mechanistic. The unions, the Government and the country have lost a bit of confidence in it as it is and we want to take a fresh look at the system and how it works.

It would be unreasonable to give any assurance that it will be ready by 1982, but we will not let the grass grow under our feet.

Unions urged to discuss new body

House of Commons

Mr Barney Hayhoe, Minister of State, Civil Service Department (Hounslow, Brentford and Isleworth, C), repeated Lord Soames's statement in the Commons.

Mr Charles Morris, Opposition spokesman on the Civil Service (Manchester Openshaw, Lab) asked: Does he appreciate the gravity of the situation which will now inevitably flow from his statement bearing in mind that every single Civil Service union has now voted in favour of recourse to industrial action?

On Monday we will move towards a situation where Heathrow Airport will be closed, the ranks of the nation's customs and excise officers will be seriously depleted, unemployment offices and offices of the Department of Health and Social Security and other public buildings will be closed.

Britain's civil servants have a right to know why the Prime Minister and Government who never weary of expressing opposition to national wages policy should be hell bent on imposing a wage policy on those employed in the public sector.

How can the Government justify what most reasonable people would interpret as blatant discrimination against the public service? How will the new ordered and agreed system of determining Civil Service pay differ from the pay research unit procedures and the principle of fair comparisons enshrined in the pay research operations that have proceeded so far?

Will this new system be operative for the Civil Service pay settlement in 1982? Civil Service pay is always catching up on what is happening in the private sector.

Mr Hayhoe: Mr Morris has rightly referred to the seriousness and gravity of the situation which flows not from my statement but from the votes and decisions of the unions concerned and the action of their trade union leaders in calling their people out on a national strike on Monday.

I hope they will recognize the particular points to which Mr Morris drew attention and the many other ways I have described in which the public will be damaged and the country will suffer as a result of this action.

It is not a national wages policy. It is the application of cash limits to the public service as indeed was forecast would be the determinant as long ago as last August.

I wholly and utterly repudiate his mischievous suggestion that what has happened is blatant discrimination and it is a travesty to describe it as such.

On how the new system will differ from the present, he is asking me to preempt the review the Government feels most urgently be undertaken.

I do not know whether the new arrangements will be concluded in time to operate in 1982, but the sooner the union leaders get around the table with us to talk over these matters the better.

Mr Jack Straw (Blackburn, Lab): This Government has plunged morale in the Civil Service to an all time low. This Government has placed Civil Service pay right back in the political arena.

Mr Hayhoe: On morale being particularly low, there can be no doubt that in real terms the salaries of the Civil Service now are higher than they were during the period of the Labour Government. There can be no justification for that at all.

Mr Paul Dean (North Somerset, C): Many civil servants resent and deplore being led into action which they know is wholly contrary to the best traditions of the public service. To encourage them, he should press ahead as fast as he can with new arrangements for pay and pensions which will avoid the disadvantages of the existing pay research system.

Mr Hayhoe: I give the assurance that we will press ahead with these arrangements. There are many within the Service who take account of the traditions of that Service which might be acknowledged perhaps more often in the House. We get a service from an honest, non-corrupt Civil Service which has great integrity. These are great advantages we have.

Many of them do resent and deplore the leadership which is coming to them sometimes from left wing leaders in their unions.

Mr James Dunn (Liverpool, Kirkdale, Lab): By changing the system of negotiation before the final agreement was made on any new arrangement, he broke a cardinal rule that applies to trade union negotiations.

Mr Hayhoe: I appreciate there is resentment because of the suspension by the Government last year of the pay agreement. It was because it was the Government's judgment at that time that taking account of the general economic situation it was right that cash limits should be the major determinant for the 1981 settlement.

Mr Timothy Rathbone (Lewes, C): Many people will welcome his statement as clarification of the truth of the action going to be taken on Monday. There is not sufficient appreciation amongst the Civil Service itself of the immense value of their index-linked pensions. Has that been explained to them sufficiently so they put that into the scales when analysing their comparability with the private sector.

Mr Hayhoe: I hope the Civil Service will put all the relevant factors into the scales in forming a judgment on Monday and any future day. On pension arrangements for the Service and more widely in the public sector, there is an important report from Sir Bernard Scott. This matter is being considered. I do not regard matters concerning that report as being linked to any negotiation over this year's pay settlement for the Service.

Mr Dennis Skinner (Bolsover, Lab): At the election, Conservative Party policy was one of free market forces and free collective bargaining. They gloated before and after the election about the wonderful response they were getting from many millions of trade unionists voting Tory because of these wonderful policies.

What the Civil Service unions are doing is asking the Government to carry out their mandate and allow free collective bargaining to operate.

Mr Hayhoe: As is wholly typical, Mr Skinner is both totally irresponsible and inaccurate. The Conservative manifesto said bargaining must also be put on a sounder economic footing so that public sector wage settlements take full account of supply and demand and differences between regions, job security, and pension arrangements.

We said it was necessary to reconcile all these matters within the cash limits used to control public spending. What we are doing is in line with the policy of the last election.

Mr Nigel Forman (Sutton, Carshalton, C): Large parts of the Civil Service have enjoyed pay rises over the last two years of some 50 per cent. The time has come for an ordered and agreed system of the kind he mentioned, based on more realistic assumptions.

Mr Hayhoe: It is true a majority of non-industrial civil servants have had pay settlements of just under 50 per cent on where they were at the beginning of 1979. Much of this large increase flowed from the falling behind which had taken place during the period of the last Government.

Partners in alliance with no place to sit

House of Lords

The Liberals objected to the next European Assembly elections being held at a time which ignored the commitment entered into by all member countries that they would be by a uniform electoral system throughout the Community. **Lord Banks** (L) said at the opening of the committee stage of the European Assembly Elections Bill.

Lord Banks moved an amendment to Clause 1 (Amendment of Schedule 2 to the European Assembly Elections Act 1978) to ensure that the provision for the proposed review of European constituencies would in each case cease to operate from May 1, 1984. This was just before the next European elections.

The Labour Government in 1976 signed a Council of Ministers' decision that the directly elected European Parliament should draw up a uniform system for 1984.

The effect of the amendment would be to oblige the Government to come to Parliament before the 1984 elections to secure fresh legislation to cover the procedure for the review of European constituencies.

Lord Kennet (Soc Dem), supporting the amendment, said: It is with pleasure that I have the chance of taking part in the first joint motion between the Liberals and the Social Democrats in either House of Parliament.

Speaking from the rear Labour back bench, he said: The new fauna has not yet established a habitat. We do not know where to sit. This must be an inconvenience to everybody else.

Much as we intend to create inconvenience for the major parties in two or three years time, we do not wish to create inconvenience now by sitting in anyone's favourite perch because we did not know it was his favourite perch.

This was the only country out of the Ten to have an electoral system which was not proportional representation.

Lord Belstead, Under Secretary, Home Office, said the Government would take into account opinion in Parliament and in the country. He would expect there to be a wide-ranging debate on any proposals to introduce a system of PR into the electoral system. It would be a radical change and one which would require careful study.

The amendment was withdrawn.

The committee stage was concluded.

The Town and Country Planning (Minerals) Bill completed its report stage.

House adjourned, 7.57 pm.

Ban on marches will avoid grave disorder

Home Office officials were arranging for a survey of the incidence of alleged attacks by members of one racial group on another, to be conducted in a number of areas, **Mr William Whitelaw**, Home Secretary, stated at question time.

Officials would also obtain the views of the police, local authorities, and the ethnic minority communities.

During the exchanges Opposition MPs led by Mr Roy Hattersley, chief spokesman on home affairs, welcomed the decision announced on Wednesday night to ban all marches in the Metropolitan area for three weeks.

Mr Christopher Price (Lewisham, West, Lab) said the decision to ban Saturday's proposed march by the National Front at Lewisham was a welcome decision which everyone in the borough of Lewisham felt had saved the borough from the sort of destruction that took place on the last occasion.

He went on: Is the Home Secretary satisfied with the decision of the Commissioner of the Metropolitan Police to put in charge of the investigation in the New Cross fire, which was the cause of the previous march, the policeman who investigated the Confait case and took down confessions which turned out in the end to have no foundation in fact?

Will he discuss that matter with the Commissioner and, if necessary, ask the Commissioner to reverse his decision?

Mr Whitelaw: (Penrith and the Border, C): I regret the necessity for the ban on marches until the end of this month in London.

There are difficulties in the banning of marches. However, there are times when such bans are in the best interests of preventing serious public disorder. When this comes, it is one's duty to support the police.

On his second point, I will discuss this matter with the Commissioner. I have every confidence in the way this is being pursued.

I am entitled to say on his behalf and on behalf of the police, they are conducting the investigation in this unhappy incident with the utmost vigour and determination.

They have no fewer than 50 officers working on this inquiry. No one can say that is not a strong effort. They have taken over 600 statements. No one can complain about that.

I hope all those who are upset by this incident, and I understand why, will appreciate that the police are doing their best to find out the cause and to bring anyone who may be responsible to justice.

Mr John Hunt (Bromley, Ravensbourne, C): Will the inquiry also cover the role of racialist publications like *Spearhead Bulldog*, and the nasty little paper called *Choice*, which pander to ignorance and prejudice and promote the kind of racialism and anti-semitism which is disfiguring our countryside? (Cheers.)

Mr Whitelaw: We shall look at publications of all sorts from wherever they come.

Mr Sydney Bidwell (Ealing, Southall, Lab): I thank Mr Whitelaw on behalf of the Ealing-Southall people for his action in ordering this probe to take place.

Would he consider the inevitability of looking in a wider way than he has so far at the publication question, and right deep into the heart of the organizations who base themselves on the barbarous policies of the Nazis in Germany?

Mr Whitelaw: All these matters must be properly and carefully looked at.

Mr Nicholas Budgen (Wolverhampton, South-West, C): Will he undertake that whenever he bans a march, whether a march by Labour MPs or by racialist organizations—any march—he will publish the evidence which supports the application to him by the police, so that the public may be satisfied that the ban is being made on grounds of public order and not on dislike of the political views being expressed?

Mr Whitelaw: The Public Order Act lays down clearly that chief officers of police cannot apply to me for a ban unless they are clear that the march, if it takes place, may lead to grave public disorder.

That must be a matter of decision and a matter of a view on the ground. It cannot be always a matter of clear evidence. That is the provision of the Act that will be rigidly adhered to.

There can be no question of chief officers of police applying for a ban, or of my granting one, on the basis of liking or not liking any particular organization which might march.

The test is entirely whether such a march would be likely to lead to grave public disorder. That is the basis and the only basis by which we are prepared to be guided.

Mr Roy Hattersley, chief Opposition spokesman on home affairs (Birmingham, Sparkbrook, Lab): I offer him the support and congratulations of these benches for the prohibition of marches in the Metropolitan area.

The march which is thus prevented was a squalid affair even by the sordid standards of the National Front. I have no doubt that the Home Secretary was right to behave in the way he did.

The publications to which he referred earlier, have now fallen into the habit of naming individuals, giving their addresses and clearly inciting the recipients of these publications to harass those individuals. What protection can the Home Secretary provide for these unfortunate people?

Mr Whitelaw: I am grateful to Mr Hattersley. There may be some misunderstanding. Under the Public Order Act as it stands, neither the police in their application, nor I in giving assent to it, can pick and chose a police area. If we have a ban, it has to be throughout the whole of the Metropolitan Police area. That is under the Act.

I must say to those who might like to have chosen a particular area, I do not think, even if it was possible, that it would be satisfactory, because it is possible to have a march in an area close at hand to the one where the trouble might lie.

To those who doubt, as I doubt, about having bans—I do not like them, but on the other hand, if there is a danger of grave public disorder and grave disadvantage to many of the people who wish to live a peaceable life in the area, it is the duty of the Government and of this House to make such a ban in those instances.

On the publications, I agree with him about the worry of these hit lists. I have had a letter from Mr Alfred Dubs (Wandsworth, Battersea, South, Lab) on this subject.

I will look into this and I hope anybody threatened in this way will immediately get in touch with the police, and we shall do everything we can to ensure they have proper protection.

Mr Alan Clark (Plymouth, Sutton, C): Can he think of anything more overtly racist and criminal, or a clearer demonstration of the breakdown of public order, than the behaviour of the young thugs in the march through Southwark on Monday, when they broke into shops, damaged shops, terrorized the white population and shouted objectionable slogans about the monarchy to try to provoke the police.

The Home Secretary has to be seen to be completely even-handed (Conservative cheers) or else he will simply add to the discontent which might give rise to the organizations that Labour MPs find so objectionable.

Mr Whitelaw: There are various features of the march on Monday which distressed us all. It is only fair to say it distressed some of those who were the organizers of the march. It is important to say that too.

It was very distressing, but even-handedness was crucial. I have been totally even-handed in my responsibility to police applications for a ban on all meetings throughout the whole of the Metropolitan Police area for three weeks.

I notice some MPs appear not to like it. They cannot accuse me of not being even-handed because that applies to every march.

Mr Greville Janner (Leicester, West, Lab): The dislike of this organization is not confined to MPs on this side.

This House would wish well to the study that the Home Secretary is making, and would ask it to include the effect of marches on the incitement to racial violence in cities not merely in London but Leicester, where a march is planned, and to consider whether the law ought to be changed to strengthen the powers of the Home Office, and of the police, in banning such marches in circumstances other than that carefully explained by the Home Secretary.

Mr Whitelaw: When we publish the report on public order there will be an opportunity for this House to consider the whole question of how marches should be dealt with.

There always appears to be a desire to consider all these attacks on the basis purely of colour. I would like to say it is not so.

There are other ethnic minorities. I would mention to Jews, who feel threatened and are worried by some of the developments. They are as much entitled, whatever colour, race and creed, to that proper protection of our society.

It is important to say that. We are a tolerant society. We in this House are determined to make sure we continue to be so.

Tory attack on 'street politics' of the Left

Mr Robert Adley (Christchurch and Lymington, C) called upon the Home Secretary to seek a report from the Metropolitan Commissioner on the action the police took in respect of the march with placards of a group of Labour MPs on February 18.

Mr Patrick Mayhew, Minister of State, *Home Office*, (Royal Tunbridge Wells, C): I understand that Labour MPs who attempted to march to the Department of the Environment were told that their action contravened directions given by the Commissioner to his officers in pursuance of the Sessional Orders of this House and the House of Lords.

The MPs concerned subsequently made their way in small groups to the Department without incident.

Mr Adley: The street politics of the Left whether it be on the Grunwick picket line or this behaviour referred to are an ugly manifestion of extremism. (Loud Labour protests.)

Will he deplore this walking graffiti . . . (*Further protests*) . . . which does so much to encourage violent behaviour?

Mr Mayhew: I understand that the relations between the MPs and the police were amicable throughout, though I do not doubt that the police officer on the spot may well have been placed in an embarrassing position.

Mr George Cunningham, an Opposition spokesman on home affairs, (Islington, South and Finsbury, Lab): Will he recollect with approval the opinion expressed gloriously by Lord Denning in 1975 in the Hubbard and Pitt case, when he said this kind of peaceful demonstration in support of grievances was part of the historic rights of the British people and that we tampered with it at our peril? (Labour cheers.)

Mr Mayhew: All these cases depend upon their facts and the exercise of commonsense.

Gleneagles agreement

A call on the Prime Minister to consider scrapping the Gleneagles agreement at the next Commonwealth Prime Ministers' conference was made by **Mr John Carlisle** (Luton, West, C) at question time.

He referred to recent events in the West Indies and the "attempted blackmail" of the England cricket team. The Gleneagles agreement (he said) is being used by countries for their own political vindictiveness.

Mrs Margaret Thatcher replied: I agree that the Gleneagles agreement was not applicable to that case. It was the case of a person who held a British passport who went out there.

We are unable to revise the Gleneagles agreement except with the consent of other members of the Commonwealth.

I have undertaken that if things change considerably in South Africa and there is much more multiracial sport, we would consider raising the matter.

Minister says Labour attack on education raises false and unnecessary alarm

The last economy the country could afford in a time of monumental technological change was a cut in the education service, **Mr Neil Kinnock**, Opposition spokesman on education, said.

Mr Kinnock (Bedwellty, Lab) was moving an Opposition motion "That this House, recognizing the direct relationship between the maintenance and enhancement of educational standards and an appropriate investment of resources and the fundamental importance of this investment in the struggle for national economic recovery, notes with grave concern the report by her Majesty's Inspectorate on The Effects on the Educational Service in England of Local Authority Expenditure Policies—Financial Year 1980-81; and calls upon the Government to undertake positive action to safeguard standards of provision, opportunity and performance in education".

He said that in ringing tones of homily the Government before and after the general election, had talked about the quality of education being maintained and improved. It had put forward simple, virile propositions about securing a dutiful teaching force, earnest and obedient pupils, parents exercising judicious choice, and participation.

The country had been promised a new era in the development of education. Rising standards were to be ushered in.

Twenty two months and £400m worth of cuts later the country had the actual catalogue of the consequences of the Government's policies. There had been a determined diversion of resources from the maintained sector, coupled with an endorsement, enhancement and sponsorship of the private sector of education to the disadvantage of the entire system.

The principle of educational provision free at the point of consumption was being significantly eroded and that many of the principles to which all parties subscribed over the years since 1944 had been avoided, discarded by the Government.

Every teacher organization, education officers, parental organizations, councillors of every political hue had tried in the last 22 months to hold and reverse the Government's policy of cuts.

The Opposition had failed, too.

He hoped the force of argument in the HMI report would at least make the Government pause and change. But the Government had responded by accusing the Opposition of exaggeration, hyperbole, overstatement.

The inspectorate was a non-partisan, dedicated professional body. Did the minister think this body was exaggerating and guilty of hyperbole and fantasizing about the state of education?

The Secretary of State was complacent about inadequate book supplies. He saw nothing wrong in parental contributions and spoke of book supplies being satisfactory in 70 per cent of schools.

What was his reaction to be if his child was at one of the unsatisfactory 30 per cent?

The report spoke of increasing dependence upon parental contributions for essential teaching textbooks and other materials. Still the Secretary of State accepted such a situation as satisfactory. He said that it had been going on for hundreds of years, but so had the plague and starvation.

While the view of the HMI report was that it was a disturbing practice, the Secretary of State remained totally calm and undisturbed. He was an educational zombie in these matters.

Mr Mark Carlisle, Secretary of State for Education and Science (Runcorn, C) moved an amendment which stated: "This House notes the report by her Majesty's Inspectorate on The Effects on the Educational Service in England of Local Authority Expenditure Policies—Financial Year 1980-81, and while recognizing the need restrain public expenditure expresses confidence in the ability of the education service in England, through the cooperation of all its partners, to secure maximum educational value from the extensive resources which continue to be available to it".

He said Mr Kinnock had a justified reputation for hyperbole. It appeared that he had got into the habit on all occasions. On each subject, at any time, he delivered the whole of his speech in one gear which could best be described as a gear of raucous indignation.

The report had been described as alarming and as showing evidence of the malice and criminal complacency of the Government and its education minister. It was claimed that the law was being extensively broken. That was in total contrast to the tenor of the inspectorate's report.

Of course there were disturbing points made in the report; that was why he published it. But in over 80 per cent of the schools in the survey staffing was judged to be satisfactory, in over 90 per cent the provision of materials was judged to be generally satisfactory and in over 70 per cent the supply of books was judged to be satisfactory. The report rightly went into detail about the minority of schools where provision was not observed to be satisfactory but that was only a small part of the present picture.

The whole picture was not the one painted by Mr Kinnock or implied by the motion. The standard which the public education service had attained since the war had been one of the strengths of this country. The present inevitable constraints on resources would test that service; it would have some impact on provision. But to say that the effect of these necessary savings was disastrous was a ludicrous exaggeration.

It displayed a deplorable lack of confidence in the education service's ability to cope and raised false and unnecessary alarm in the minds of many parents rightly concerned about the standards of their children's education.

What were the facts? Some 5.5 per cent of the gross national product of this country or twice what it was in 1950 today went on education. The proportion was as high as that in any major EEC neighbour and rather higher than it was in Germany or Italy. In 1979-80 more was spent on the schools in real terms than ever before, twice as much in total and half as much again per pupil as 20 years ago. Much had gone on additional teachers and the reduction of the pupil teacher ratio.

In January, 1980, the overall pupil-teacher ratio was 18.7 to one. He hoped soon to produce the overall ratio for January, 1981, and on the basis of returns so far received he was confident it would be at least as favourable as 1980.

There had been a gradual improvement in standards which had raised expectations.

Because they had had to revise earlier unrealistic plans to take account of the reality of the economic situation it did not mean they were about to lose all that had been achieved over those years.

In 1980-81, the second year of this Government, they planned to spend slightly more in real terms on children of statutory school age in both primary and secondary schools—excluding the cuts on meals and milk—than was spent in 1978-79, the last year of the Labour Government.

Spending on schools which had doubled since 1960 was likely for the current year to turn out to be at the very most about 1 per cent below the level it was in 1978-79, although there were 5 per cent less children in schools.

The Government was allowing both in the current year and the coming year for a higher cost per pupil than was spent by the Labour Government in its last year of office.

The Government's plan for the years beyond that would be published next week but it was planning to maintain that position in later years as well.

He had no doubt that staffing ratios throughout the life of this Government would be better than during the last five years.

Of course, he was concerned at what the report said about schools where there was a shortage of books. But in secondary schools the amount spent on books per pupil dropped consistently every year under the previous Government. By 1978-79, its last year, it was 33 per cent less than the amount spent in 1972-73. It took time to correct a situation.

Other things determined the quality of education, in addition to resource management. First, there was curriculum. With the Secretary of State for Wales he would soon issue a statement containing broad guidance to local authorities on schools and curriculum. Examinations also played a vital part in standards.

The Government was reviewing the role of the Schools Council. He had invited Mrs Nancy Trenaman, Principal of St Anne's College, Oxford, to review the council's functions, constitution, and methods of work, and to make recommendations.

The present chairman, Mr John Tomlinson, had agreed to continue beyond April, when his appointment would normally end, until the end of this year. Mr Tomlinson had made it clear that other duties would compel his resignation then.

Mr Martin Flannery (Sheffield Hillsborough, Lab) said Mr Carlisle's speech was one of raucous complacency. The morale of the teaching profession was at an all time low. They were struggling under adverse circumstances to keep the educational system going but that could not go on for ever.

Mr Robert Rhodes James (Cambridge, C) said that the point where the balance between resources and standards became seriously affected might be reached soon.

A valid criticism of governments over the past 25 years was that there had not been a serious strategy for education since the 1944 Act. The country had lived on the 1944 Act, and yet circumstances had changed so much.

There had been piecemeal changes without any attempt to place each part of the section within an overall strategy.

Mr Christopher Price (Lewisham, West, Lab) said clearly the point was being reached when the standards laid down in the 1944 Education Act could hardly be sustained by local education authorities any longer. The Forbes judgment about the teaching of music was particularly important in that if ever the idea got around that the 1944 Act only applied to reading, writing and arithmetic that would be a tragedy for education.

Mr Timothy Brinton (Gravesend, C) said the priority should be the three Rs and they should expand from that. At present so much time and money was being spent on expansion that they were losing the three Rs in the middle. In that sense he welcomed the economies which had been thrust on the educational world.

Money was not the answer. Dedicated teaching and applying the priorities in the right place was.

Mr Alan Beith (Berwick-upon-Tweed, L) said that poorer parents would be deterred from sending children to the best schools if the expectation was that they should chip in to contribute considerably to the basic essentials.

The fabric of education was crumbling at the edges in a damaging way. Mr Carlisle should abandon the assisted places scheme and bring that money into the public sector, and win some Cabinet battles to stop education cuts.

Mr Harry Greenway (Ealing, North, C) said the technology of schools had changed. Most had a good copier which could turn out worksheets. The arrival of the language laboratory had been unhelpful and expensive. In some schools there were too many films.

Mr John Carlisle (Luton, West, C) said one of the leading voices objecting to the cuts had been the National Union of Teachers. In many cases, they were doing an extreme disservice to many of their members who were fed up with the way their leadership was acting.

Miss Joan Lestor (Eton and Slough, Lab) said that with so many unemployed, if they got involved in the principle of parental contribution, more resources would be in the areas where there was more employment, and children in the poorest areas would be denied education.

Mr Phillip Whitehead, an Opposition spokesman on education (Derby, North, Lab), said local authorities scrutinized by the inspectors were subject not merely to the exhortations of education ministers, but to the rigours of the rate support grant. In a sense it was Mr Michael Heseltine, Secretary of State for the Environment, who was running, or running down education.

What was suffering most was the curriculum, all forms of special teaching and provision of books and equipment. The fabric of buildings had been shown in many cases to be damaged almost beyond the point of repair.

Mr Rhodes Boyson, Under Secretary for Education and Science (Brent, North, C) said in the 20 years from 1960 the amount of resources per pupil in primary schools increased by 64 per cent in real terms, and by 44 per cent at secondary level. Between 1977-8 and 1980-81 expenditure per pupil increased in real terms by 7 per cent.

On the question of fees for instrumental music lessons, they could not yet discuss the full implications of the recent judgment, until the full transcript of the case was available and they had had time to study it.

The High Court had not ruled that music should be part of the curriculum, but that if it were provided, it should be provided free. Many local authorities would be concerned about the implications of the judgment for their own practice.

The Secretary of State attached importance to instrumental music tuition and would not wish to see it end.

There was no question of a child being excluded from a lesson because parents could not or would not pay. He would be interested to see what they said in the statement they would shortly be putting out. (Loud laughter.)

The Opposition motion was rejected by 299 votes to 233—Government majority, 66, and the Government amendment agreed to.

Report on telephone tapping 'not whitewash'

The Diplock report on telephone tapping had not been a whitewash, **Mr William Whitelaw**, Home Secretary, said during questions.

Mr Robert Cryer (Keighley, Lab) had asked for regular publication of Diplock reviews of telephone tapping.

Mr Whitelaw (Penrith and Border, C): No. I made it clear in my statement on April 1, 1980, that only his first report would be published.

Subsequent reports will cover the detailed operation of the arrangements and will not be published, but Parliament will be informed of findings of a general nature and of any changes made in the arrangements.

Mr Cryer: The present report does not cover foreign and Commonwealth interception and the National Security Agency of America interceptions and was so complacent as to amount to a whitewash, but there is accountability to this House for this incursion into the rights of the private citizen.

Regular publication of Diplock reports would be a start in that direction, although no substitute for the Home Secretary's accountability, because one may see the development of perception and scrutiny even by Lord Diplock.

Mr Whitelaw: Lord Diplock's report is certainly important to those like me and my predecessor who had to carry out this unenviable task.

It shows that we have carried out conscientiously—as I believe we have—and with responsibility. I do not accept that it was a whitewash.

Mr Ivan Lawrence (Burton, C): While welcoming the report, will Mr Whitelaw say what steps he is taking to prevent unauthorized tapping and other invasions of privacy?

Mr Whitelaw: It is for the police to investigate allegations of criminal offences.

Mr Roy Hattersley, chief Opposition spokesman on home affairs (Birmingham, Sparkbrook, Lab): Many Labour MPs regard the first Diplock report as wholly inadequate. It aroused more fears in many ways than it dispels.

Since the Telecommunications Bill means that the House will be debating only one narrow aspect of phone tapping, surely it would be right for the Government to provide time before the report stage of that Bill to debate the general proposition of tapping, official and unofficial, authorized an unprivate, so that we can know the Government's views?

Mr Whitelaw: Those are not matters for my decision but if such an opportunity arose I should greatly welcome it. I have a duty to explain the Government's position exactly, and my own important position in this.

Bill on disabled to be assisted

The Government was prepared to give every assistance with the presentation of a new Bill on the provision of suitable means of access by disabled people to buildings used by the public, **Mr Francis Pym**, Leader of the House, announced during questions

He said this followed discussions between Mr Dafydd Wigley (Caernarvon, Pl Cymru) and the minister for the disabled. The Bill would reflect the terms of an early day motion signed by Mr Wigley and 323 other MPs.

Defence guidance

Mr Patrick Mayhew, Minister of State, Home Office, said during questions that guidance would shortly be issued to local authorities on civil defence suggesting ways in which they could make the best use of the doubling of the money for implementing the programme announced last August.

The Home Secretary was meeting today the representatives of the local authority associations

A philosophy which rests on Christian assumptions

Labour MPs who were shouting remarks interrupting a reply from the Prime Minister at question time were described by **Mrs Thatcher** as "little different from the young Communists in the church yesterday".

Mr Harry Ewing (Stirling, Falkirk and Grangemouth, Lab) had raised with Mrs Thatcher her speech at the St Lawrence Jewry in London on Wednesday.

He said: Has the Prime Minister had time to reread her speech of yesterday. If she has, was the interpretation of that speech that those who accept and support her Government's economic policy are somehow or other exercising Christian virtues, and by implication those who are not are non-Christians? (Conservative protests.)

If that is the interpretation, it is a disgraceful depth to which the Prime Minister has sunk in order to defend her tattered economic policy. (Labour cheers and Conservative protests.)

Mrs Thatcher: I have not had time to reread the speech, nor do I reread my speeches.

If he had read it fully and accurately he would have observed that particular sentence which, when I set out my own philosophy, I said: "I believe it is a philosophy which rests on Christian assumptions—(Labour interruptions.)

They are very little different from the young Communists in the church yesterday.

Indicating the Labour benches she said: "I'm glad the young Communists support that lot instead of this lot."

She continued her quotation from her speech: "I believe it is a philosophy which rests on Christian assumptions, though I fully recognize that some Christians would have a different view."

That (Mrs Thatcher went on) is a complete answer to the cheap question of Mr Ewing. (Conservative cheers.)

Parliamentary notices

House of Commons

Today at 2.30: Private Members' Bills: Zoo Licensing (No 2) Bill, Licensing (Alcohol Education and Research) Bill, Companies Bill, all second readings.

Budget opened next week

The main business in the House of Commons next week will be:

Monday: Timetable motion on the Transport Bill and Appropriation (Northern Ireland) Order.

Tuesday: Budget.

Wednesday and Thursday: Debate on the budget.

Friday: Private member's motion on effects on London of Government's economic, housing and social policies.

The main business in the House of Lords next week will be:

Monday: Gas Levy Bill, Matrimonial Homes and Property Bill, and Interpretation of Legislation Bill, second readings.

Tuesday: Wildlife and Countryside Bill, report (first day.)

Wednesday: Debate on making British industry competitive.

Thursday: Wildlife and Countryside Bill, report (second day.)

THE ARTS

The Crucible
Comedy

Irving Wardle

Largely recast since its first appearance at the Cottesloe last October, Bill Bryden's fine production transfers to the West End with increased authority. It originally struck me as a point of convergence between the company's work in American drama and Puritan history; and the added power with which they have now charged the stern formalities of Arthur Miller's seventeenth-century Massachusetts has yielded the best version of the play that I have seen.

Its key qualities are passion and clarity, held in perfect balance so that no emotional outburst obscures the line of narrative argument; not an easy thing to achieve in a story containing so much bullying, accusation, and mass hysteria, and which can easily swamp precise ironies under waves of easy pathos and indignation.

The play starts at an emotional peak with the Rev Paris's distraught prayers at his daughter's bedside, and continues its panic-stricken crescendo up to the arrival of the grave Rev Hale, the first witch doctor. But amid all the inquisitions and threats, as the plague of superstition runs through the village, the non-religious motives underlying the epidemic are laid out as unmistakable evidence: not only of Abigail's vendetta against Proctor's wife; but Putnam's land-grabbing, and Paris's fear of losing his job.

Nothing, at this stage, is done to load the dice in favour of Mark McManus's Proctor, who first appears as a dour employer, hat pulled straight down over his eyes, threatening his truant servant with the whip; and half capitulating to Caroline Embling's Abigail at their first reunion since his wife turned her off the farm. The sense of an austere, frugal existence, in double discipline to the soil and to clerical authority, is inherent in the whole stage picture.

The degree of social and domestic reality established in the magnificent first two acts is the production's best guarantee of sustaining belief when the play finally turns to undisguised melodrama and an operatic death cell finale.

The third act trial is much improved since the Cottesloe performances; thanks partly to the human variety Tony Haygarth is now bringing to the MacCarthyite Governor Danforth, still a bigoted tyrant, impervious to rational argument, but now quite capable of the soft approach, and of relaxing for an off-duty gossip about trials of the past. Also, the new casting includes such actors as Trevor Ray and John Barrett—totally naturalistic no matter how heightened the surrounding context, who lend complete credibility to the sight of ordinary villagers swelling into officious creatures of the court, or quietly standing their ground against it.

The second act, however, remains the main experience of the evening. Its construction never ceases to amaze; moving in geometric progression from the quiet evening on the Proctors' farm, to the news of the mass arrests, and finally the disappearance of Proctor's wife in chains. It is in this act that Mr McManus really takes over; writhing under the calm gaze of his still mistrustful wife, alternately gentle and lashing out like a staked bull; and moving from suppressed doubts to open defiance in the duologue with James Grant's modestly implacable Hale.

Lynn Farleigh, taking over the role of Proctor's wife, begins by telegraphing restless anxiety from her calmly impassive features; and proceeds to a wonderful expression of extreme emotions with the minimum of physical means. It is typical of her scenes with McManus that whenever they part, they merely pat each other: full embrace is reserved for the moment before the gallows.

Some of the reviews on this page are reprinted from yesterday's later editions

Redford in a far from ordinary direction

Ordinary People (AA)
Plaza 1

The Great Santini (A)
Gate 3, Camden Town

Penitentiary (X)
Eros, Piccadilly; Odeons Kensington, Westbourne Grove, Swiss Cottage

Blood Beach (AA)
Screen on the Green; Scene, Leicester Sq.; Odeon, Kensington

Donald Sutherland and Mary Tyler Moore in *Ordinary People*

Ordinary People, Robert Redford's debut as a director, has already earned a fortune in the United States as well as a heap of Oscar nominations. Something about it, evidently, has caught the imagination of the American public in a way that is rare for such a quiet, modest and, indeed, *ordinary* film. The director's contribution is reticent and unobtrusive; his aim, not surprising perhaps in an actor, had been to give the stage wholly to the text and the performances; and both are, certainly, exemplary.

The script is based on a novel by a Chicago housewife, Judith Guest, which Redford snapped up before publication. The people in it are "ordinary" in that they represent the moneyed suburban bourgeoisie, a class which once inhabited the cinema almost exclusively, but which has now, as Robert Redford points out in interviews, fallen out of fashion with progressive American film-makers.

Their story too, is in its essentials ordinarily familiar to film audiences. Calvin and Beth look like model parents; but since the death of their adored elder son, and his own suicide attempt, the younger boy, Conrad, has become solitary and estranged from them and from his school friends. Reluctantly Conrad goes to a psychiatrist and psychiatry does not betray the national faith in it. After a succession of crises, Calvin finally faces the trauma and sense of guilt that blocks his mind, and emerges to face the problems that still rend the family.

So far, so ordinary. But, whether the writer (Alvin Sargent) or director were altogether aware of it, there is a deeply subversive content in the film; and perhaps it is this upon which—again maybe only half-consciously—the American audience has seized. On the face of it, here is an ideal, happy, WASPish family (there is a comic conversation between Beth and her mother about the Jewishness of the psychiatrist); but Conrad's problems expose the shaky foundations of the entire institution. Calvin, the caring breadwinner, is revealed as insecure, weak, quietly terrorized by his wife and by his own bewilderment in face of the family break-up.

In Beth—played by Mary Tyler Moore, who made her name as American television's ideal wife and mother—the matriarchal myth is undermined as ruthlessly as in David Storey's *In Celebration*. Beth is the idealized and idolized American woman, perfect in her coiffure, in the kitchen, on the tennis court, the golf course, at parties. But in her total inability either to come to terms with her son's problems or to acknowledge her own (an irrational resentment of the surviving son since the loss of the adored older boy) she is exposed as the prisoner of the myth. The traditional momidolatry has over the years made her incorrigibly egocentric—unwilling or unable to acknowledge criticism, change or indeed anything that is disagreeable or attacks her decreed *status quo*. At the finish the (comparatively) happy end the film posits for this "ordinary" family unit is for the mother to walk out on the affair and the home, leaving father and son alone, reconciled to each other and their problems.

The Great Santini (whose title might lead you to expect almost anything except an American family saga) is, conversely, about an awful father. Colonel Bull Meechum is an army husband, dragging his reluctant family around the country from one base to the next. Exposed to society at large, he is just a dull drunk and rowdy (at the start of the film we see him emptying a civilian restaurant with his objectionable pranks at a unit farewell party). On duty as a Marine Corps jet ace and commandor, he is a martinet.

At home, too, he is as tough a disciplinarian, bellowing his long-suffering wife and resentful family out of bed in the small hours, and subjecting them to inspections and epithets like "hogs" or, in good moods, "sports fans". The special victim is his 18-year-old son, whose intelligence and gentleness are the sort of sissy qualities that rouse his macho father's ire. The full poverty of this ultimate fascist is revealed, however, in his pettish fury when this same son beats him in a ball game.

The character is played by the excellent Robert Duvall (in some respects it might be the private life of the military man he plays in *Apocalypse Now*) and is a wonderful creation, overdrawn but always with such skill that it remains always just within belief. This apart, the film is a mess of mixed excellences. A side plot involving the boy's friendship with the black maid's outsider son is interesting, but remains an unintegrated and unrealized excrescence. In the end, too, Lewis John Carlino, as director and writer, equivocates. Awful father and victimized son are reconciled by mutual understanding; and the father is hallowed by his death on duty. In the last scene we see the boy taking on his father's autocratic role within the family. It remains in the perception of the beholder to divine the author's own feelings.

Both these films incidentally show American acting at its professional best. In the Redford film an unaccustomed weak and tentative character brings out new qualities in Donald Sutherland. A new actress, Blythe Danner, is extraordinary as the army wife, proud, dutiful, submissive to the husband-officer. Both the young actors who play the respective sons are astonishing for their sensitivity, tact and emotional range. Timothy Hutton, in *Ordinary People*, is the son of another actor, the late Jim Hutton. Still the skinny, pimply, doe-eyed adolescent, Michael O'Keefe in *The Great Santini* acts with the kind of infallible instinct that maturity and training rarely bring.

Penitentiary is a black film, written, directed and produced by Jamaa Fanaka, which combines with unashamed exploitation (sex and violence are intercut in the climactic scenes with transparent calculation) very efficient qualities of writing, acting and *mise-en-scène*. The starry Leon Isaac Kennedy plays a man committed on a wrongful murder charge to a virtually all-black prison, where he effectively defends himself with his fists against the rule of bully force and homosexual proprietorship. It is rough fast-moving and enlivened by arresting character performances.

Blood Beach, written and directed by Jeffrey Bloom, offers exactly what is expected of it: a Thing that emerges from the beach; mysterious disappearances; a cache of corpses and human spare parts; heroic lifeguard; distressed scientist; obtuse cops; and eerie music to point up every moment of horror, just in case you do not notice.

On no account, should the short with *Ordinary People* be missed. Directed by Roger Christian, a former National Film School student, *The Dollar Bottom* recaptures something of the Ealing comedy spirit. It is the story of some schoolboys whose scheme to insure their fellows against corporal punishment mushrooms throughout Scotland and results in a cut-throat juvenile stock market.

The kilted leading boy, with all the uncorrupted seriousness and self-possession of early teenage, has most of the best lines. Faced with the threat of beating he politely explains: "I would not mind that, sir, I have a two pound ten shilling bottom". And finally, when the grown-ups have manoeuvred the financial ruin of his scheme, he declares, with the grandeur of tragedy: "You force me, gentlemen, to say something I hoped I would never have to say: *a minor is not liable for his debts*".

Off the beaten track there is currently a lot to see. The ICA are showing nightly at 9 pm Gael Dohaney's *The Foxes' Earth*, a formal, hieratic chronicle of the centuries-old struggle of a Peruvian village to reclaim its ancient rights in the land. Miss Dohaney made the film over a two-year period, and the peasants themselves re-enacted for her their historic and often bloody invasions of their sequestered properties.

There are, too, unaccustomed riches of silent cinema to be seen just now. The monumental *Napoleon*, with Carl Davis's orchestral accompaniment, has still two more performances (tomorrow and March 15) at the Empire, Leicester Square; though at this stage you probably need underworld connexions to get seats.

David Robinson

Book review

Architectural History of Venice
By Deborah Howard

(Batsford, £15)

This book should be read between visits to Venice: after the first, and before the subsequent. To read it before the first visit would be confusing, for by concentrating on architectural history on a building by building basis, it conveys no overall impression of the city. It is far too detailed to act as a guidebook. On the other hand, *its scholarly information* on various buildings which might not be on the standard touristic circuit adds a new dimension to the place.

The matter of the book is simply described: an architectural history from the origins of the City to the present day. Some architects previously unknown to me are identified, and considerable pleasure may be obtained in looking at a Venetian building (say, Sansovino's Fadbriche Nuove di Rialto 1554) and recognizing its direct descendants in other countries and other centuries (the Place des Vosges in Paris, and Covent Garden in London). Oddly, Dr Howard makes little or no reference to such influences.

Batsford, of course, has a fine tradition of excellent, well illustrated books on technical subjects for the lay reader. Two of their earlier titles—Braun's *English Castles* and Crossley's *English Abbeys* are on their way to becoming collectors items. One clear difference between *Venice* and those is the influence of the Courtauld Institute, about which one may have doubts. It may well be that the scholarship is greater: but so, also, is the faintly academic textual language, and the references to other critics of whom the lay reader may be unaware. "As Wittkower has shown", (a typical phrase), is an unnecessary exemplification. Moreover, my copy lost an entire chapter by double-printing obscuring the text. Finally (of these niggles) it is irritating that the most frequently and prominently mentioned names in this book of great architects are those of the photographers. Yet, of the cost of visiting Venice, the price of this book would be a tithe or two well spent.

Charles McKean

Mac Rebennack
100 Club

Richard Williams

Rock fans remember him as *Dr John the Night Tripper*, author of a unique brand of psychedelic voodoo music in the late Sixties; to blues initiates, however, he is Mac Rebennack, a veteran of the postwar New Orleans scene who has worked with virtually all of that city's important musicians over the past 25 years, as either producer, songwriter, singer, guitarist or pianist.

Little has been heard of him since his memorable pop hit of 1973, "Right place, Wrong time", so it is pleasing to welcome him back, typically in several guises: as co-writer, with Doc Pomus, of the songs on B. B. King's new album, as the producer of Chris Barber's latest recording, and as a guest in the trombonist's current touring show, which takes as its theme the music of New Orleans.

Wednesday's programme opened in the most obvious way, with a brass band parading through the audience playing "Just a closer walk with thee" and "The saints". It was succeeded by Barber's regular octet, moving from the straight traditional style through a lively jump blues to a pair of Ellington tunes, "Creole love call" and "Queen Bess", which featured sensitive ensemble playing and extrovert saxophone solos from Ian Wheeler (alto) and John Crocker (tenor).

Rebennack arrived at the piano for a loose and lengthy version of "Iko Iko", assisted by idiomatic snare-drum work and punching horn riffs. His playing, a rugged version of Professor Longhair's "rumbalero" style, and his croaking voice, which seems to have been marinated alongside the hot sausage and chicken-necks in a bowl of *filé* gumbo, were well displayed on an eight-bar blues and a rousing account of "Mess around". Barber, who has done much over the years to promote the blues in Britain, shared the audience's justified glee.

Christopher Bruce spreading his net wide

Quite by chance, Christopher Bruce is in the happy position of having a series of his productions follow each other into Sadler's Wells over the next few weeks. Ballet Rambert will give four of his ballets during their season which starts this evening, one of them having its first public performance and another its London première. Next month, the Tanz-Forum company from Cologne will give a new work by him during their London season, closely followed by Kent Opera, for whom he has staged the dances in two works and himself directed one of them.

In the most important sense, he has succeeded in the gamble he took in October, 1979, when he gave up a secure position as leading dancer and associated director of Ballet Rambert to pursue a freelance career. But things have not worked out quite as he hoped. "I left Rambert to have more time with my family, but I seem to be travelling more than ever at present, because of the invitations that came from abroad.

"It's nice to have the work, but I hope to develop my relations with a few companies so that I can spend more time in London. My family is very important to me, and you will see things about children in many of my works. I don't like my ballets to be just steps; there has to be an idea, some kind of drama.

"I think I was lucky, starting in the old Rambert company, where I danced in *Don Quixote*, and a solo in *La Sylphide*, then ballets by Norman Morrice, *The Travellers* and *Realms of Choice*, and Walter Gore's *Simple Symphony*. It was a marvellous experience, to be able to dance those *demi-caractère* roles which many dancers never get nowadays; I learnt a lot from them about the theatre.

"I had 17 years as a dancer, and I would still like to dance but I cannot stand the touring any more. Later this year the BBC are going to do *Cruel Garden* for television, and I shall dance in that, so I have to keep in shape. If the chance comes, I might dance other things in London; I might even start my own small group."

At the moment, however, he is busy enough making sure that all his productions are ready in the right condition. "I like to maintain my works, like maintaining a car, because otherwise things go wrong. My choreography is not easy to perform: I tend to create a lot on my own body, so it needs a mixture of classical and modern experience.

"That is another reason for wanting to work with just a few companies. I am still associate choreographer with Rambert, and make about two works a year for them. I like working with Australian Dance Theatre; of course I can't keep rushing off there to take rehearsals, but they have the understanding to look after them. Then I have worked a lot with Tanz-Forum, and I seem to be developing a relationship with Netherlands Dance Theatre—all companies with the mixture of modern and classical background. And it's easy to jump on a plane and in an hour you are in Germany or Holland."

During Ballet Rambert's season one of Bruce's ballets will be danced by students from the Rambert Academy. That came about because "I helped to set up the academy, and I am still a sort of honorary director. I made *Dancing Day* as part of a composition course there.

"I enjoy working with young people. When you work with experienced dancers, perhaps they maintain a steady high level, but I find it exciting to see young dancers developing fast. I think it is really an achievement that, after just 18 months of the academy, six students can come and appear with the company.

"The piece I have made for them is related to my latest work for Tanz-Forum. *Dancing Day* is set to music by Holst, and the other is Stravinsky's *Cantata*. In both, I have been influenced by medieval ideas which I have become very interested in. In those days, religion was not something separate from ordinary life, but part of it. So in these ballets sacred and profane love become mixed together, which by today's attitudes might be thought shocking."

What about the operas? He has produced Monteverdi's *Ballo delle ingrate* and choreographed Blow's *Venus and Adonis* for a double bill. Was opera something he had always been interested in? "No, I liked some operatic music but I had always found the conventions of opera difficult to accept, just as some people find the conventions of dance difficult. But I had already worked with actors, for instance in *Joseph and the Amazing Technicolor Dreamcoat*, and I enjoy change, I find it stimulating. So, when the invitation came from Kent Opera, I accepted.

"They seem pleased and have invited me to do some more productions. My next will be to collaborate with their director, Norman Platt, on a Handel opera, which is difficult because of the problems of what to do during those *da capo* arias. When a singer has an aria, the important thing is to concentrate on the music and the words. But maybe I can give a little more meaning in the way I move or place them.

"It does not worry me to work with singers instead of dancers; I don't mind not being able to use steps, because I find I can only produce a certain number of steps in the course of a year. They are less important than other things even when working with dancers. The quality and meaning of movement matter more to me."

John Percival

The Marriage of Figaro
BBC 2/R3 (tomorrow)

Michael Ratcliffe

Jean-Pierre Ponnelle's *Nozze di Figaro*, filmed at Shepperton in 1976 and bought in by the BBC from Unitel, Munich, begins brilliantly with what appears to be the lengthening shadow of a fat nose on an attic wall. This turns out to herald not the arrival of Harlequin, Hanswurst or Mr Punch, but the mattress of Figaro and Susanna's marriage bed, brought in by the groom-to-be.

That it is also suggesting the feared nose of the cuckold seems likely, for in this handsome and splendidly sung version of Mozart and da Ponte's masterpiece the war between servant (Hermann Prey) and master (Dietrich Fischer-Dieskau) is not merely for social and political justice but for sexual equality too, and the bed remains in the centre of the action for the whole of the first act. Figaro taunts the Count with Susanna's bridal veil: the bed is their battleground and the antagonists lock horns across it like stags in rut.

Like all Ponnelle productions, this thoroughly Spanish *Figaro* is full of inventiveness and props. The props, indeed, are exuberantly assembled for each character, from a costume skip during the overture (shades of Bergman's *Magic Flute*), and the line between invention and fussiness is a fine one. Ponnelle's chief experiment—the device of filming asides, certain ensembles and other passages as if taking place inside the characters' heads, so that they have to act madly with the rest of their faces whilst keeping their mouths tightly shut (all the music with orchestral accompaniment was filmed and recorded separately)—is not a success.

In quick snatches of a line or two, it expresses an unspoken or unspeakable thought very neatly, but da Ponte is not Pinter or Chekhov or O'Neill, and at greater length the experiment is asking us to accept the interior monologue on top of all the operatic conventions we already have, whilst in the Count's third act aria the device becomes too clever by half.

Most of the action is beautifully placed, though, and extended into all the rooms of the Almaviva household very convincingly. The opera ends in great excitement as everyone rushes around about the garden trying not to engage the object of their recent illicit attentions. Karl Böhm conducts the Vienna Philharmonic and a very strong, experienced cast in a performance close kin to the glorious series he was to give at Covent Garden the following year. Certain speeds will seem wilfully slow to some tastes, but the overall patterning and *shape are* so beautiful, each introduction for the singers so perfectly judged, that momentum is never lost for long: the playing is in the classic line of this orchestra in this work. There are no weak performances: both men are subtler and less coarse than they can be on stage; Kiri Te Kanawa is a spirited and romantic Countess; Mirella Freni a lovely, intelligent Susanna; and Maria Ewing, with just a dash of Denise Coffey and an even tinier one of Harpo Marx, simply the funniest and most irresistible Cherubino I have ever seen. They will all sound even better in simultaneous transmission on Radio 3.

Euridice
Riverside

William Mann

Musica nel Chiostro is an enterprise which presents opera each summer outside a disused Tuscan monastery, simply staged for *alfresco* performance by talented young British musicians. During the rest of the year the productions are toured elsewhere, lately including Riverside Studios in Hammersmith.

This time Musica nel Chiostro has gone back to the *Euridice* by Peri and Caccini, composed in 1600, the very first opera whose music is extant. As such, every student of musical history learns about it, but it is seldom performed, though gramophone records of it are available. Graham Vick's production for MNC uses an English translation and musical realization by Stephen Oliver, and (for Riverside at least, where it may be seen tomorrow and on Sunday) an unusually elaborate stage setting by Yoland Sonnabend and Richard Hudson.

The central stage area is occupied by a blue paddling pool, surmounted by two planks, like diving boards, which can be rotated round a central circle. The action mostly takes place on these pontoons: at moments of dramatic intensity (for example, when Daphne announces the death of Euridice) the actors walk through the water and even kneel in it, fully clothed—the effect is not as absurd as it may sound. The chorus remains in front of the tiring-house, on whose gallery the orchestra under Nicholas Kraemer is disposed. Venus brings Orpheus to the mouth of Hell in a golden aerial chariot, from which he descends by swarming down a rope (Robert Dean won a cheer for the feat on Wednesday night).

Vick's production is unconventional but sensitive. It would have looked as apt if Oliver had harmonized Peri's bass line for the specified orchestra or lute, lyre, chitarrone and harpsichord, using the plain chords then customary. Oliver evidently fears that today's newcomers to Peri's *Euridice* would be bored and so, like Raymond Leppard at Glyndebourne, his realization is more colourful, though less scholarly.

Oliver uses an orchestral ensemble based on Stravinsky's for *The Soldier's Tale*, essentially a modern tonal palette, with vibraphone, trumpet, clarinet, piano and banjo among the instruments. He throws out Peri's bass-line, preferring Stravinskian harmonies, at the beginning of the third act even something like 12-note late Stravinsky, often without bass at all, or merely percussive rhythm.

The cast is properly dominated by the Orpheus of Robert Dean, a noble baritone voice, an impressive musician, alive to verbal values, and a personable, heroic figure. Kate Flowers made much of Daphne's narration, Michael Bulman of Amintas's solos. Susan Moore was a touching Euridice, Colin Iveson a Pluto as noble in defeat as in authority.

LMP/Blech
Festival Hall

Barry Millington

The prima donna for whom Mozart wrote "Al desio di chi t'adora" (an aria to replace Susanna's "Deh, vieni" in later performances of *Le nozze di Figaro*) must have been a very different person from Wednesday's soloist, Janet Baker. "Al desio" was substituted in order to provide Adriana Ferrarese del Bene with a vehicle to display her talents and consequently abounds in fast scalic passages and ornamental lines of all kinds.

Dame Janet was equal to the task, but although it is always worth learning how a virtuoso display piece can be rendered sensitively and musically, she has far more to teach us in a piece like Haydn's *Arianna a Naxos*.

That dramatic cantata is a gem, tracing the mood of the deserted Ariadne from love (for Theseus) mingled with apprehension, through to misery as the bitter truth dawns, and finally desperation. All this within the standard classical forms of recitative and aria.

Abetted by an anonymously (but acceptably) scored accompaniment, Dame Janet realized all the potential in this heart-searching little opus. The dramatic impact may have been slightly diffused by the large space of the Festival Hall, but there was still no lack of intensity generated.

For the remainder of the programme, Harry Blech directed the London Mozart Players in highly pleasurable performances of Mozart's fortieth and Beethoven's fourth symphonies. Mozart's G minor does not demand blinding revelations every time. Nor is it enough, as Mr Blech well understands, simply to imagine that the music will speak for itself once set in motion.

Within the framework of well-chosen tempi and firm rhythms, he allowed counterpoints, sometimes consisting of just two or three notes on an oboe or bassoon, to sing out to great effect. Mr Blech has an ear for such subtleties.

هكذا من الأصل

SPORT

Cricket

Fresh round of talks : Boycott gets together with local enthusiasts during practice.

Gooch finds his touch and victory for England is the result

Bridgetown, March 5

England won the 50-over one-day game specially organised for them when they beat Barbados by 11 runs here today. Badly in need of matchplay after the political upheavals of the past week, the tourists accumulated 207 for six in their allotted overs, the leading contribution coming from Graham Gooch who scored an aggressive 84. With brisk support from Gatting and Gower, England's total became more daunting after a very slow start by the island team, who lost three quick wickets, two of them to Graham Stevenson.

The form of Gooch was particularly encouraging. After a quiet start with Geoff Boycott, who had to struggle for 18 overs for 14 before he was dismissed by Collis King at 30, Gooch came into his own in a lively second-wicket partnership with Mike Gatting, who is hoping to take over the number three position in the Test side.

Gooch showed an inclination to go for the lofted drive early on in his innings, first against King and then when he hoisted Joel Garner to the long-off boundary. But he had to be watchful with the Barbados pace attack of Sylvester Clarke and Wayne Daniel getting a lot of bounce with the new ball. It was not until the 27th over, when Gooch really opened out to give the score a dramatic lift.

He hit the off spinner, Padmore, for 20 off four balls in an over which cost 22 and lifted the total into the 90s. Gooch put one four away to midwicket, hit a six over long on, a four off the back foot through the covers and then another majestic six over long on. He moved from 27 to 47 and then completed his 50 in the next over, having batted 110 minutes.

Boycott, who started the tour in fine fettle, but has gone a fortnight since his last substantial innings, was out to a shot which would not have pleased him. He followed a short rising ball and gave the wicketkeeper, Murray, a catch.

Gatting struck some meaty drives and swung King for a six over square leg before he was bowled at 97 with a ball from King which kept low and took his off stump. They had put on 67 in 12 overs.

Alvin Kallicharran will not play for the West Indies in the remaining three Test matches against England. The Warwickshire left-hander is back in England, receiving treatment for a broken bone in his right hand—an injury which kept him out of the first Test in Trinidad last month. The fracture, sustained when he was struck by a ball from Andy Roberts in a Shell Shield match, has not healed properly. It is understood that the bone is to be broken and reset by the same specialist who operated last week on Kallicharran's county captain, Bob Willis.

ENGLAND

G. Boycott, c Murray, b King ..	14
G. A. Gooch, hit wkt, b Garner ..	84
M. W. Gatting, b King	25
D. I. Gower, c Murray, b Garner	39
R. O. Butcher, b Daniel	8
*I. T. Botham, b Daniel	13
P. Willey, not out	1
†D. L. Bairstow, not out ..	6
Extras (b 5, l-b 11, n-b 1)	17
Total (6 wkts, innings closed)	207

J. E. Emburey, G. B. Stevenson and C. M. Old did not bat.

FALL OF WICKETS: 1—30, 2—97, 3—157, 4—178, 5—200, 6—201.

BARBADOS

G. Greenidge, c Old, b Stevenson	1
A. Greenidge, l-b-w, b Botham	9
E. Trotman, c Gatting, b Stevenson	9
G. Reifer, c Willey, b Botham	55
C. King, b Willey	43
L. Roifer, c Embury, b Botham	38
S. Clarke, b Botham	5
J. Garner, c Botham, b Stevenson	9
†D. Murray, b Stevenson ..	8
*A. Padmore, b Old	13
W. Daniel, not out	2
Extras	5
Total (49.3 overs) ..	196

FALL OF WICKETS: 1—1, 2—15, 3—25, 4—92, 5—158, 6—158, 7—161, 8—177, 9—183, 10—196.

BOWLING: Botham, 10—2—30—3; Stevenson, 10—2—38—4; Gooch, 6—0—31—0; Old, 5.3—0—29—1; Embury, 9—2—30—0; Willey, 9—3—23—1.

India's hopes of squaring series are high

Christchurch, March 5.—India open the second Test match against New Zealnd here tomorrow confident of levelling the three-match series. The return to the team of the top bowlers, Doshi and Ghavri, whose injuries prevented them from playing in the first Test at Wellington, together with an injury to the New Zealand captain, Howarth, has boosted Indian hopes of winning the five-day match.

Doshi, one of the world's leading left-arm spin bowlers, showed exceptional accuracy and control of flight during practice, and Ghavri, a medium-pace player, was able to seam the ball appreciably. Howarth, who scored a century in the first Test, suffered severe bruising of the toe when he was struck by the ball during batting practice.

New Zealand have four seam bowlers—Hadlee, Snedden, Cairns and Troup—who pleased the selectors in the first Test. In the light of his disappointing performance for Otago against the Indians earlier this week, Bracewell could be dropped as twelfth man to leave New Zealnd without a specialist slow bowler.

NEW ZEALAND: J. Wright, B. Edgar, J. Reid, G. Howarth, J. Coney, G. Edwards, I. Smith, R. Hadlee, L. Cairns, M. Snedden, G. Troup, J. Bracewell.

INDIA: S. M. Gavaskar, G. R. Viswanath, C. P. S. Chauhan, D. B. Vengsarkar, Y. Sharma, B. M. Patil, R. Binny, Kapil Dev, K. D. Ghavri, S. M. H. Kirmani, D. R. Doshi, R. Shastri.—Agence France-Presse.

Australian board to discuss private tour in S Africa

Sydney, March 5.—The Australian Cricket Board will discuss a proposed private tour of South Africa at their regular meeting next week. The board executive director, David Richards, said today that the tour had not been discussed so far and a special meeting would not be called to formulate any policy on the issue. "The matter is expected to be part of our normal meeting late next week," he said.

The three-week tour from April 8 has been organized by a Sydney businessman, John Everett. The party of 30 will include the former Test cricketers, Geoff Dymock, Gary Gilmour, John Maclean and Ross Duncan. Eight one-day matches have been arranged at venues including Cape Town, Durban and Johannesburg.

Mr Everett said it was unfortunate that the Robin Jackman incident on England's current tour of the West Indies had put South Africa back in the limelight but added that he was confident there would not be any trouble over the trip. "The visit is a holiday, with a number of wives accompanying the players, and I don't expect any pressure from the Government or anyone else," he said.

Gilmour said the players were paying their own way. "I was last in South Africa in 1976 with Richie Benaud's team and have been waiting for an opportunity to return," he added. South Africa were banned from international cricket in 1971 but private cricket parties from England and Australia have since toured there, playing matches against white and multiracial teams. Although no details have been revealed, the tour matches will probably be against club sides with some of South Africa's leading cricketers taking part.

The Australian Test captain Greg Chappell, who is in Perth, said he had rejected two offers to play in South Africa this month because of business and family commitments. Chappell, who has previously toured South Africa in a privately organized team, was quoted in the *Melbourne Sun* today as saying there was a lot of hypocrisy about South Africa's racial policies.

"I don't feel South Africa's isolation in sport will achieve what people want them to do," Chappell was reported to have said. "I feel many black people are better off in South Africa than in other countries and my feelings about South Africa are not as strong as they once were."

The Australian Government are opposed to sporting contacts with South Africa but Canberra sources believe it is unlikely to register anything more than verbal opposition to the tour. The Australian Board are expected to continue their normal policy of neither official blessing nor condemnation of cricketers touring South Africa.—Reuter.

Athletics

Olympians approve of Antrim's facilities

Mark Naylor and Kathy Smallwood, two of Britain's Olympic athletes, have approved of the facilities for the United Kingdom National championships after a visit to the Antrim Forum, Northern Ireland yesterday.

Naylor, the 22-year-old national high jump champion from Hillingdon, and Miss Smallwood, the Reading sprinter, had both had reservations about visiting Northern Ireland, where the championships will be held for the first time.

Naylor said: "I had the impression that bullets would be flying and bombs would be going off, but I didn't see a soldier after arriving at the airport, and have been very impressed from the word go. I think the back-up facilities will make this meeting.

"I've never been to Northern Ireland before and didn't realize Antrim was so far from Belfast, and that is important."

Miss Smallwood echoed Naylor's view and both of them plan to compete at the championships, college examinations permitting, and will be asking other athletes to support the event.

Geoff Capes, the former British shot putt champion and now the International Athletics Club chairman, has pledged his support for the event and Les Jones, the secretary of the Northern Ireland AA, said: "Steve Ovett, Brian Hooper and Daley Thomson are regular visitors here and once you have got over the barrier of bringing athletes to Northern Ireland for the first time, they always want to come back."

The Antrim Forum has the only synthetic track in the province and 4,000 seats, 500 under cover, will be erected for the meeting at the end of May. There will be standing room on the surrounding banking for another 4,000.

David Shaw, the secretary of the British Amateur Athletic Board, said: "The facilities might not compare with Crystal Palace or Meadowbank, but you have to start somewhere. It is very important that these championships are a success. A good championships could be a forerunner of a new stand".

For the record

Tennis

DENVER: Grand Prix tournament, men's singles second round (United States unless stated): F. Buehing beat E. Edwards 6—4, 6—3; G. Mayer beat W. Redondo 6—1, 6—2; M. Purcell beat C. Dibley (Australia) 6—2, 6—2; T. Moor beat N. Saviano 3—6, 6—3, 7—6; T. Giammalva beat B. Waltz 7—6, 4—6.

LOS ANGELES: Women's tournament (United States unless stated): M. Navratilova beat R. McCallum 6—1, 6—1; B. Bunge (WG) beat L. Allen 1—6, 7—6, 6—3; J. Harrington beat G. Coles (GB) 6—1, 6—0; S. Hanika (WG) beat M. ("Peanut") Louie 6—1, 1—6, 6—1; J. Russell beat E. Pfaff (WG) 6—3, 6—1.

SALISBURY: (Maryland): WCT tournament (United States unless stated): V. Amritraj (India) beat B. Teacher 3—6, 7—6, 6—1; W. Scanlon beat H. Solomon 6—2, 6—4.

JAKARTA: Davis Cup, eastern zone: S. Menon (India) beat A. Wiyono (Indonesia) 6—3, 8—10, 6—2, 6—8.

Ice hockey

NATIONAL LEAGUE: Edmonton Oilers 5, New York Rangers 6; Quebec Nordiques 7, Washington Capitals 4; Buffalo Sabres 4, Calgary Flames 0; Montreal Canadiens 9, Winnipeg Jets 3; Pittsburgh Penguins 6, Los Angeles Kings 5; Vancouver Canucks 5, Toronto Maple Leafs 2; Detroit Red Wings 3, Chicago Black Hawks 3; Boston Bruins 3, Minnesota North Stars 3.

Basketball

NATIONAL ASSOCIATION: Chicago Bulls 111, Philadelphia 76-ers 100; Kansas City Kings 111, San Antonio Spurs 97; Denver Nuggets 123, Los Angeles Lakers 114; Boston Celtics 108, Houston Rockets 101; Phoenix Suns 126, Cleveland Cavaliers 106; Washington Bullets 113, San Diego Clippers 103; Golden State Warriors 107, Utah Jazz 105; Seattle Supersonics 105, Indiana Pacers 92.

Motor rallying

POVOA DO VARZIM: Portuguese Rally, provisional leaders after first stage (Finnish unless stated): 1, H. Mikkola, Audi Quattro, 2hrs 6mins 59secs; 2, A. Vatanen, Ford Escort, 2.08:47; 3, H. Toivonen, Sunbeam Talbot Lotus, 2.09:12; 4, A. Bettega (Italy), Fiat Abarth, 2.09:36; 5, M. Allen, Fiat Abarth, 2.09:43; 6, G. Frequelin (France), Sunbeam Talbot Lotus, 2.10:44.

Boxing

AUCKLAND: Cruiserweight: J. Burnett (US) beat T. Mundine (Australia), pts.

COPENHAGEN: Junior middleweight contest: A. Kalule (Uganda) beat P. Hallacy (US), pts.

Football

Liverpool should not reject their manager's caution out of hand

By Norman Fox
Football Correspondent

Bob Paisley, Liverpool's manager, has a famous circumspective attitude to first-leg ties in European competition, declaring that "It's only half-time". Rarely has it been so difficult to accept the principle than after Wednesday's performances by three of the British teams. Newport County, unexpectedly and pluckily on equal terms with Carl Zeiss of Jena, would not dispute him, but Liverpool, Ipswich Town and West Ham United could be forgiven for thinking that the future is sealed.

In the case of West Ham the "second half" of their Cup Winners' Cup tie against Dinamo Tbilisi in the distant Caucasus a week next Wednesday threatens a long journey of faint hope, their having been beaten 4—1 at Upton Park where the Georgians suddenly reminded them of past fallibility. For Liverpool and Ipswich Town, 5—1 and 4—1 winners against OSKA Sofia and St-Etienne respectively, opportunities to reach the semi-final round of the European Cup and Cup Winners' Cup are not often so comfortably cushioned after first legs of the quarter-finals.

Ipswich, having achieved their exemplary success on French soil and won approving local toasts including "As good as Ajax with Cruyff", are indisputably well-placed, but Mr Paisley's own Liverpool team should not reject out of hand his natural caution. Until Wednesday CSKA had not conceded a goal in Europe this season and for some time at Anfield they were technically superior; nor by a small margin. It will be said that Liverpool, although still not quite the team they were, can hardly relinquish such a lead and they should not, but one remembers that last season in Tbilisi they lost 3—0.

The withdrawal of Thompson early in the first half again emphasized that once the regular defensive partnership is broken Liverpool are vulnerable. Brilliant goals tended to cast out the doubts and when the Bulgarians faded physically the score belied earlier ingenious football. The combined power and control of Djevisov and Kerimov and bustling force of Yonchev, their scorer, worried all but Clemence who was magnificent in the Liverpool goal.

Liverpool's strong position was built on two important first half goals that the Bulgarians would not have had such cause to regret if their own finishing had been more effective. Lacking in recent competitive match practice, CSKA collapsed as Heighway, himself playing in only his third full senior team game of the season, outran them on both flanks. Unusually, Mr Paisley singled him out for stretching the defence. Souness, who had begun the scoring, then enjoyed more space on the approach to the penalty area and scored two more with irresistible shots.

Despite the loss of Thompson with a damaged thigh muscle, the win left Liverpool in better heart for their League Cup Final at Wembley tomorrow week when West Ham will provide the opposition.

Carl Zeiss Jena, conquerors of the holders, Valencia, and Roma in earlier rounds, and viewed as the Liverpool of East Germany, will not live down their failure to beat Newport County, who were in the fourth division last season. Newport qualified for the Cup Winners' Cup as holders of the Welsh Cup and that is all they have ever won apart from the third division (south) championship in 1939.

Their 2—2 draw in East Germany was based on well-organized defending and occasional breakaways, one of which gave Tynan an equalizer just before half time. In storybook style, Tynan also scored the second equalizer with the last kick of the game.

Dinamo Tbilisi could become only the second side from the Soviet Union to win a European trophy. On the other hand, Spartak Moscow's hopes in the European Cup stumbled when held to a goalless draw by Real Madrid on Tbilisi's ground where the weather, better than in Moscow, suited the Spanish champions. As Bayern Munich beat Banik Ostrava 2—0, albeit unimpressively, they should join Liverpool in the semi-final; but the East's challenge is maintained by Red Star, Belgrade who reinforced their claims by drawing 1—1 with Internazionale in Milan.

Gale force 11 blowing out of Ipswich

By Clive White

As the blue and white tornado of Ipswich Town swept on through France this week and then turned its attention to home again we were left to wonder where it will eventually expire. Those who believe it to be only a storm in a cup and who only read of the devastation it caused in the Rhône Valley on Wednesday night would suggest Nottingham tomorrow as a likely resting place.

Those of us who have followed its trail and witnessed the blast that hurled St-Etienne to their first home defeat in European competition know that it has many more miles to run. Nottingham Forest could be just another disaster area.

At its core there is more than just the self-reproducing quality of confidence which comes from a run of 16 games without defeat. It is a confidence kept to modest proportions by the sort of level-headedness which can only prevail in small, unsophisticated Suffolk town like Ipswich. The players are laced together as tightly as a boot by team spirit.

Ipswich just may be the best team in Europe now. The players think they are, though they would not dare to say it. When Bobby Robson, their manager, spoke realistically in terms of a 2—1 defeat in their Uefa Cup quarter final on Wednesday, the players thought positively of winning. St Etienne withered at the sight of such frightening stubbornness during those opening minutes.

And when the congenial Paul Mariner tells you, as you fly back across the Channel at the height of Ipswich's celegrations, that tomorrow another match — another Cup — will fill their minds you have to believe him. Recently Bill Shankly, another father figure, discussed with Mr Robson the joys and heartaches of bringing up a successful team left Mr Robson with one piece of advice on long-term happiness: "Concentrate on the next match because that's the most important".

Those who suggest that Ipswich would still be sailing in Liverpool's wash if injuries had not kept some of Bobby Robson's men from the bridge do Ipswich an injustice. They have brought together the best of British and Dutch, combining strength and pace with spontaneous creativity. Thijssen's unselfish skilful possession and Muhren's uncanny accuracy weigh heavily but are no more important than the potent finishing of Mariner and Wark (50 goals between them) or the incisive tackling of Osman and Beattie.

The Cup Final will take Georgia off their minds

By Stuart Jones

Before Wednesday's European Cup Winners' cup tie, West Ham United's only sight of Dinamo Tbilisi had been on film. Now the have met the Russian stars in person and have another video for their collection. John Lyall, West Ham's manager, has even given it a title: "How football should be played."

West Ham may find it painful viewing, particularly for their defence, but at least there is something to learn from their 4—1 home defeat. The performance of Kipiani, an unlikely lean figure with moustache and receding hair, will be worth watching again and so will the display of Chivadze, the Russian footballer of the year in 1980.

As Mr Lyall pointed out, like all great teams, they had an extra man in defence and in attack whenever necessary. If the speed of their breaks was dazzling, then so was the finishing of Chivadze, Gutzaev and Shengelia, twice. Cross scored the lone reply, nudging Brooking's corner and a defender at the near post.

West Ham have always searched for brilliance contained within a tight framework of discipline. This season they have come close to achieving that ambition on their way to the second division title and the League Cup final. On Wednesday, though, their progress was put into sharp perspective.

After suffering almost the first setback of the season, West Ham have little time in which to pick up the pieces. In eight days they meet Liverpool at Wembley and they may do so without Devonshire, who hobbled off with a twisted left knee and ankle. Two days later they leave on the 8,000 mile round trip to Georgia.

Allen could fill the vacancy, at least against Newcastle United on Saturday, but a more ambitious idea would be to bring back Pearson. Although he lacks match fitness, his experience and his role as a wide striker, as against Arsenal in last year's FA Cup final, might be the best answer to the immediate future.

The lasting memory of the immediate past at Upton Park will be of an enchanting night that belonged to the Russians, of a competetive but fair contest and of shooting that was delicate and deadly. But perhaps the most pleasing aspect was the warm, standing ovation given to the visitors at the end. Madrid, and all the sad events there, seemed a long way away indeed.

The prodigal Ball returns

Alan Ball is back at Southampton, two days afer resigning from the player-manager's job at Blackpool. The 35-year-old Ball, the only still active member of England's 1966 World Cup winning side signed late on Wednesday and plays in tomorrow's first division match against Manchester United at The Dell.

Just over a year ago Ball left Southampton to take over at Blackpool, but the Southampton manager Lawrie McMenemy has clearly lost none of his respect for the midfield man. Mr McMenemy, who cut short a trip to Spain to sign him, said: "Alan is just the man to boost our drive towards Europe."

Nottingham Forest have signed the Norwegian international central defender, Einar Aas, for a fee of around £200,300: Forests' manager, Brian Clough, had talks with the player in yermany yesterday after watching him in action for Bayern Munich against the Czechoslovak champions Banik Ostrava in the European Cup on Wednesday.

Aas, who had a trial for Arsenal earlier in the season, agreed to join Forest after his meeting with Mr Clough and will fly to Nottingham next week for a medical.

Leeds United, who yesterday reported a profit of £30,614 for the year ended July 31, 1980, following a record loss of £865,000 in 1978-79, are still hopeful of signing Francesco Graziani, Torino's international striker. But they have withdrawn from negotiations for Marco Tardelli, the Juventus midfield player.

Yesterday's results

SOUTHERN LEAGUE: Southern division: Addlestone and Weybridge 1, Hillingdon 1; Bognor Regis 3, Crawley 0.

SCHOOLS: Cardinal Vaughan 4, Spencer Park 3; U.C.S., Hampstead 2, Lancing 3.

Rugby Union :

SCHOOLS: Queen Elizabeth's G.S., Wakefield 19, Bradfield G.S. 7.

Tonight's fixtures

SECOND DIVISION: Swansea v Wrexham (7.30).

FOURTH DIVISION: Stockport v Northampton (7.30), Scunthorpe Utd v Bournemouth (7.15).

RUGBY UNION: Bedford v RAF (7.15), Gloucester v Northampton (7.0), Neath v Pontypool (7.0), Pontypridd v Bristol (7.0), Rosslyn Park v Esher (7.15).

Motor racing

A smile to brighten a gloomy future

By John Blunsden

Yesterday became the brightest day for many months in grand prix racing when it was confirmed that the long-running battle between the International Motor Sport Federation (FISA) and the Formula One Car Constructors' Association (FOCA) is finally at an end: that Michelin have solved many teams' tyre worries by guaranteeing to supply all competitors for the next three races; and McLaren International unveiled their latest grand prix challenger, which embodies space age technology in the construction of its chassis.

It may be several more days before the details of the FISA-FOCA accord reached in Paris are made known, but the basis of the agreement is believed to leave FISA with responsibility for implementing technical regulations, FOCA with effective commercial control, a new commission incorporating proper representation from the teams to look after future rule-making, and the recently agreed rule to remain stable for four years.

It has also been confirmed that all cars taking part in the United States Grand Prix (West) at Long Beach, California, on March 15, will conform to the new regulations, which means that they will run without skirts and to new maximum dimensions for tyres.

Although Michelin's offer to service all teams in California, Brazil and Argentina, has not pleased those, such as Ferrari and Renault, who hold long-term contracts with the French tyre company, it was an essential move if the 1981 world championship was to get away to anything like a proper start with a fully representative field of cars.

The gap left by the Goodyear withdrawal—perhaps the most serious casualty of the recent political war—has yet to be plugged effectively, although Avon and Pirelli will be making a presence in the European races.

Both John Watson and his new team colleague, Andrea de Cesaris, were on hand yesterday to give their new car, the Marlboro MP4, its first run at Silverstone, where it was confirmed that Unipart, British Leyland's component and accessory division who backed the Ensign team last year, have joined Philip Morris in co-sponsorship of the McLaren International team.

The most interesting feature of the new car, which has been designed by John Barnard, is its five-piece carbon-fibre chassis. This has been produced in component form by Hercules Industries of Salt Lake City, a company whose mainstream activities embrace rocketry and equipment for missiles and lunar modules.

The individual mouldings of the chassis have been assembled in England by means of bolting and glueing, and apart from offering a weight-saving and improved stiffness, together with a marked reduction in the number of parts, the most practical virtue of the new chassis is that in the event of a practice accident the "tub" can be repaired on site before the race.

Outwardly conventional in appearance, the MP4 has been designed with alternative nose sections: one, as seen at Silverstone, is intended to be used bare, and an alternative design for use in conjunction with a substantial nose wing of the type which was familiar before the advent of the now-discarded skirts.

Jabouille misses Long Beach: The French driver, Jean-Pierre Jabouille, will miss the first grand prix race at Long Beach, a spokesman for the Talbot-Ligier team said yesterday. Jabouille and the team director, Guy Ligier, agreed it was too risky for Jabouille to drive in the difficult street event as his first race after suffering two badly broken legs at Montreal in the Canadian Grand Prix last September.

He will be replaced for the United States Grand Prix (West) by another Frenchman, Jean-Pierre Jarier. The spokesman said Jabouille was likely to race in the next event, at Rio de Janeiro, on March 29. Jabouille has been test driving for the past week but his legs were "still fragile and any incident could be disastrous."

The call of the cup has a reviving effect on the flagging spirits of Barnwell's Molineux men

History, ancient and modern, favours Wolves

Wolverhampton Wanderers' progress to the last eight of the FA Cup, faltering though it has sometimes been, has enabled them to salvage something from a season which promised to take them nowhere. Around Christmas, they lost three successive league matches and were beginning to concede goals at an alarming rate. They had already, as holders, been eliminated from the Football League Cup, by Cambridge United and their excursion into the Uefa Cup was equally brief. PSV Eindhoven eliminating them in the first round.

The feeling was growing that John Barnwell and his assistant, Richie Barker, had taken the present players about as far as was possible but the nearing prospect of Wembley Stadium has a marvellously reviving effect. So far, Wolves have knocked out Stoke City and Watford, needing replays at Molineux on each occasion, and Wrexham—victory that time being sealed when Norman Bell came on as substitute and promptly hit two goals of the kind which set the net billowing and lift the crowd to unlikely heights of enthusiasm.

Few teams relish a trip to Ayresome Park but recent history as well as tradition is on the side of Wolves. They reached the FA Cup semi-final round in 1979, passed through the League Cup semi-final last season on their way to victory over Nottingham Forest and face in Middlesbrough a team who, surprisingly, have never reached the last four of the FA Cup.

None of these achievements appeared in any way likely when Mr Barnwell took over as manager in November, 1978. He had left Peterborough United because, in his opinion, they lacked ambition, a quality which he has in abundance. One of his first decisions was to summon Mr Barker, then manager of Shrewsbury Town, as his assistant. The immediate prospects were bleak, for Wolves had lost 11 of their first 15 league games in 1978-79 and were such apparent certainties to be relegated that it was scarcely worth betting on the outcome. The new management team, however, made such good use of the players already at the club that Wolves finished safely in eightheenth position and were only a step away from Wembley when Arsenal beat them.

Barnwell : breathed a new sense of purpose

It was a considerable feat to pull Wolves away from disaster, specially as Mr Barnwell sustained severe injuries in a car accident that April. He was still feeling the effect at the start of last season but progress was maintained and sixth position in the first division added to the League Cup success.

Even now, the bulk of the players were at Molineux when Mr Barnwell took over and he has made only four serious excursions into the transfer market. Wolves, to their considerable surprise, found that Manchester City were willing to pay close on £1½m for Steve Daley and promptly used the money to buy Andy Gray from Aston Villa, the difference in the fees meaning that they have acquired one of the country's most dangerous forwards at a cost of £25,000.

Emlyn Hughes, nearing the end of a career strewn with honours, was brought in from Liverpool to add his experience and enthusiasm to the defence and the two other deals involved David Thomas, who has since gone into the North American Soccer League, and the Uruguyan, Rafael Villazan, who had been playing for Huelva in the Spanish second division.

The handsome new stand at Molyneux makes the financial situation even more delicate and, in common with most other managers in these restricted days, Mr Barnwell must sell before he can buy again. He and Mr Barker have already achieved spectacular results through their ability to breath a new sense of purpose into jaded players and a second Wembley appearance in two years would, particularly when seen in the context of the club's condition only 26 months ago, earn them even greater respect.

With young players such as Michael Hollifield, John Humphrey, Wayne Clarke and Hugh Atkinson beginning to make their presence felt, Wolves may be able to survive even without the driving power of Peter Daniel who, after being injured against Aston Villa last week, was found to have a torn cartilage as well as a broken leg.

The example of John McAlle may help to sustain him. McAlle suffered a broken leg within a minute of appearing as substitute against Watford last season. Now he is back in defence and helping Wolves to put some daylight between themselves and the clubs scrapping to avoid relegation.

Gerald Richmond

Craggs remains a solitary monument to the legend of the four man-mountains

Chips of the old blocks of Yorkshire stone

"Kick it", "Belt it", "Thump it" and "Whack it", some people called them. From their surnames, appearance and style, the four fearsome holders of these sobriquets might as well have been kicked, belted, thumped or whacked out of local north-eastern quarries. In 1973 Craggs, Boam, Maddren and Spraggon were the foundation stones of Middlesbrough's defence.

Jack Charlton, himself an uncompromising and experienced centre half, knew the value of a solid base and, on the sturdy contours of these monoliths, he built an admirable, efficient unit. Nothing was given away, little was wasted. The team steam-rolled remorselessly through the season, crushing their second division rivals as well as the critics along the way to finish 15 points clear.

Such strength was to serve them well in the cold blast of the first division, where even more stable foundations are undermined or swept away. Yet survival was not enough for Mr Charlton, particularly when he saw Nottingham Forest, fellow newcomers, accelerate past to the championship. Three years later he moved down and south to Sheffield, leaving the remains with a fellow Geordie, John Neal.

"As I walked through the doors here", Mr Neal said, "I wondered if I was doing the right thing; but I had no preconceptions. I followed my instinct, as I have done throughout my managerial career. "Strangely enough, my one glimpse of Middlesbrough was in the FA Cup two years before when my old club, Wrexham, played them at the Racecourse Ground. I rated them highly then, although we were lucky enough to knock them out, 1—0. I knew they had a good set-up and that they had some fine players".

Of the team that won promotion in 1974, three survive—Platt, substitute for Jennings in Northern Ireland's goal; Craggs, the club's longest-serving member; and Armstrong, who started a run of 356 successive games on the left side of midfield. Injury put an end to his remarkable record earlier this season.

John Neal : heir to the inheritance of Ayresome Park.

Mr Neal has taken out his pen only four times to write significant cheques. He bought the versatile Ashcroft from his own former club; Cochrane, for whom he paid Burnley the odd sum of £233,333; Nattrass, the most expensive of all from Newcastle United; and Jankovic, a burly but skilful international striker from Yugoslavia.

The rest of the youngsters, apart from Johnston, were grown in Mr Charlton's greenhouse and are shooting to prominence. Even the seed of the idea of Johnston's arrival was sown by Mr Charlton during a summer tour of Australia in 1975. Now gaining recognition, it is said that Johnston may be leaving when his contract expires in May.

"The press have linked him with all the sides in the first division already", Mr Neal said. "I'm waiting for them to go through all the ones in the second. Naturally, I want him to stay. When you mould a side and work hard to fit the jigsaw together, you don't want to lose any of the pieces."

It is Middlesbrough's style, not the players, that has altered in the past four years. Gone is the cautious approach of short passes and slow build-up. Individuals are allowed to express themselves and the likes of Proctor, Johnston and Hodgson, all three of whom played for England's under-21 side against the Republic of Ireland recently, have brought with them a spirit of adventure and the fresh smell of hope.

The scent will never be more powerful in their nostrils than at 3.0 tomorrow afternoon. Middlesbrough may not have a glamorous past, but after 105 years of waiting in theshadows, they stand 90 minutes away from the bright lights of the FA Cup semi-final for the first time. Ayresome Park will shudder with expectancy.

Their supporters are not without golden memories but most lie covered in dust. Before the turn of the century Middlesbrough left the professional ranks and twice won the FA Amateur Cup. In 1905 they paid the then astonishing fee of £1,000 for Alf Common, a goal scorer of obviously uncommon quality.

Steve Bloomer arrived soon afterwards, later to step into folklore alongside other Middlesbrough giants like Wilf Mannion, an artist in midfield, and Alf Camsell, who scored 59 goals in 1927 in the club's total of 122. Yet they are small splashes of colour on a palette that is, for the most part, grey as granite.

After brushing aside Swansea City 5—0 away, West Bromwich Albion 1—0 and Barnsley 2—1 at home, Middlesbrough are poised to add another touch of red to the picture. Preparations this week were not ideal. Mr Neal took his side away on Tuesday for an outing—to Nottingham Forest for a league game.

Ashcroft remains doubtful but will probably play. He will want to. It is the club's biggest day since a distant evening in 1876. Then, in a local hotel, Middlesbrough Football Club were formed during an informal dinner. The main course was tripe.

Stuart Jones

Ice skating

European champions strike the first blow for Britain

From John Hennessy
Hartford (Connecticut) March 5

Jayne Torvill and Christopher Dean, the British and European champions, struck the first blows in the ice dance event of the world championships here this morning. They won the first two compulsories and have thus established a comfortable lead over Rina Moiseyeva and Andrei Minenkov, of the Soviet Union, former world champions, and Judy Blumberg and Michael Seibert, holders of the American title.

There is some way to go yet, with another compulsory tomorrow together with the original set pattern, and the free dance on Saturday, but the polished technique and sophisticated presentation the British couple achieved today offers a strong hope for the gold medal. One judge, the Canadian, placed the Russians ahead by 0.1 in the paso doble, but the overall position suggests that at least Britain will go into the free dance with an encouraging lead.

The second British couple, Karen Barber and Nicholas Slater, are in seventh position and the third, Wendy Sessions and Stephen Williams, are 11th.

The pairs final last night produced a result that would have been inconceivable a few years ago, when the sport was monotonously predictable: not one of the medal winners at Dortmund last year has survived. True, the silver medal-winner had suffered injury, but the Russian holders of the title were here relegated to fourth place and the holders of the bronze, another pair from the Soviet Union, have lost their place altogether in the national team.

Even so, the Soviet Union retained the title, through Irina Vorobieva and her husband, Igor Lisovski, winners of the European title a month ago. They somehow combined a little of the verve of Irina Rodnina and her various partners with a little of the flowing artistry of the Protopopovs. Add to that the charm of Vorobieva and you have all the ingredients of a world champion. A lapse of concentration on the part of Lisovski, which left him a helpless bystander while his partner did their intended camel spin alone was not enough to turn the judges against them.

Germans from East and West took the lesser medals, which gave the competition a cosmopolitan flavour it has lacked in recent years under the domination of Miss Rodnina. The young British pair, Susan Garland, aged 14, and Robert Daw, 17, again skated splendidly, with the momentary touchdown on the throw double Axel as their only obvious blemish. In one year, their marks have improved from an average of about 4.7 to 5.2, which is beginning to put them in the big league. Their position moved from 13th to eighth.

The men's short programme shook up the first six in the order. David Santee, third on Tuesday, ascended to first place yesterday on 2.4 points, followed by Jean-Christophe Simond (France) with 2.6, Scott Hamilton (US) on 3.8, Fumio Igarashi (Japan) on 4.4, Igor Bobrin (Soviet Union) on 4.6 and Brian Pockar (Canada) on 5.0.

It now seems that Pockar has dropped out of the running, since his free skating is hardly likely to be strong enough to recover the handicap his eighth place yesterday has inflicted on him.

The Japanese and the Russians could still aspire to the gold medal but only by default. Hamilton, on his day, is the best free skater in the world and he must now be a strong favourite, though his victory in the short programme over Igarashi and Santee came about only after a split decision on the part of the judges and a complicated countback. Hamilton achieved 21 place marks compared with Igarashi's 19, his sketchy double loop in the combination jump having told against him.

MEN'S FIGURE SKATING: Result: 1, S. Hamilton (US), 21 place marks, 0.4 points; 2, F. Igarashi (Japan), 19, 0.8; 3, D. Santee (US), 31, 1.2; 4, I. Bobrin (USSR), [illegible] 1.6; 5, J-C. Simond (France), [illegible]; 6, B. Orser (Canada), [illegible]; [illegible] B. Pockar (Canada), [illegible]; [illegible]

PAIRS: Result: 1, I. Vorobieva and I. Lisovski (USSR), [illegible] points; 2, S. Baess and T. Thierbach (East Germany), [illegible]; 3, C. Riegel and A. Nischwitz (W Germany), [illegible]; [illegible] Carruthers and P. Carruthers (US), [illegible]; [illegible] Martini (Canada), [illegible]; [illegible] Garland and R. Daw [illegible]; [illegible] Miller and W. Fauver (US), [illegible]

Flowering of talent: the medal winners in the pairs competition accept tributes.

Tennis

Why Mottram has to win his first match

By Rex Bellamy
Tennis Correspondent

Italy should beat Britain 3-2, perhaps 4-1, in the first round Davis Cup tie to be comfortably ensconced in the Brighton Centre today, tomorrow and on Sunday. The winners are guaranteed a minimum of about £22,000, the losers a minimum of £9,000, by the Nippon Electric Company, the competition's first overall sponsors. Any British player who wins a match will be paid a bonus of £300 (in the case of doubles £300 each) by the teams' national sponsors the bottlers of Coca-Cola.

Italy must be favoured because they are stronger in depth. Christopher Mottram has broken even in four matches with Adriano Panatta, leads Corrado Barazzutti 3-1, and on that form is capable of beating both—as he almost certainly must if Britain are to have a chance. But even if Mottram is equal to that formidable task, it would be unreasonable to have much confidence in Britain's ability to win another match.

The evidence suggests, with intimidating clarity that Richard Lewis (who shares the singles burden with Mottram) and the British doubles team will not be in quite the same class as their opponents. It will therefore be necessary for either Lewis or the doubles pair, preferably all of them, to confound that evidence by maintaining a level of performance higher than that so far associated with them.

Such an achievement is possible. Davis Cup competition is a law unto itself, especially—presumably—in the context of Brighton and March. Logic can be a fallible guide on such occasions. Moreover, even logic assumes that the Italians will be close to the form that has taken them to the final four times in five years. They are no longer improving and Panatta's strength and competitive confidence are less intimidating than they were a few years ago when twice he became the only player who has ever beaten Bjorn Borg in the French championship.

Panatta remains a superb athlete and, on his day, the most delightfully gifted of all modern players. But at 30, he has reached an age when his fierce first service tends to lose some of its sting in the course of a long match—and at Brighton he will probably have to play doubles (with Paulo Bertolucci, another stylish shot-maker) as well as singles.

The form of Mottram and Panatta will be heavily influential and the morale of both could be affected by the first match. Today's programme (4.30) will be Mottram v Panatta followed by Lewis v the Italian No 1, Barazzutti. The provisional pairings for tomorrow's doubles (7.00) are Andrew Jarett and Jonathan Smith v Bertolucci and Panatta, but these partnerships can be amended up to an hour before the match—possibly by the introduction of Mottram. Sunday's reverse singles (2.00) will be Lewis v Panatta and Mottram v Barazzutti.

Jarett and Smith have yet to play in the Davis Cup competition. Mottram's record is 17-5 in singles and 3-2 in doubles. Lewis played one singles in 1977, three in 1978, and won them all—but he had to fight desperately hard to beat nonentities. His recall to a transitional British team is based on the fact that he recently won five out of seven singles in the European indoor competition for the King's Cup. Again, he did not have much to beat by this weekend's standards—but again he demonstrated that he could fight and that he could win. If Lewis has it in him to play one match of surpassing excellence, this is the time for it.

Italy beat Britain 4—1 at Wimbledon in 1976 and 4—1 in Rome in 1979. If Britain win this time they will play New Zealand at home or Korea away in the second round. If Britain lose, they will be at home to Korea or New Zealand in a play-off tie (the losers will be relegated from the main 16-nation event to the 1982 zonal series, which will basically be a qualifying event for the 16-nation elite in 1983.)

The Lawn Tennis Association announced yesterday that after discussions with the Sports Council, arising from the report of a committee of inquiry into British tennis, it seems likely that within 12 months the scattered national training facilities will be shifted to the National Sports Centre at Bisham Abbey, near Marlow.

The success of the Football Association's similar arrangement at Lilleshall encourages optimism about the projected link between tennis and Bisham Abbey. The facilities would have to be adapted for the benefit of tennis but the scheme is expected to be approved at a Sports Council meeting on April 6.

Boxing

The picture show left hand will hit the screen

By Srikumar Sen
Boxing Correspondent

John Conteh, who wanted to be a piano player but who used his picture-show left hand to beat out a world light-heavyweight crown for himself from 1974 to 1977 instead, has retired. He has had a five-figure offer for his life story from the Daily Mirror that betters what he would have received from his challenge for Carlos de Leon's cruiserweight title. As Conteh's business manager, Bobby Naidoo said: "The match had been approved but he was tired of waiting for a date." Conteh, who is also a fashion model, can concentrate on his business commitments, especially his restaurant in London's West End.

He has meatier things on his plate as well. He wants to come in on the blaze of Raging Bull and give a Mersey sound and fury to his life story for the screen. He modelled himself on Jake La Motta who, he says, was different in only one respect—"somebody dumped me on my backside".

Conteh won a Commonwealth Games gold medal in 1970 and as a professional was British, European and Commonwealth champion before he won the vacant world light-heavyweight title by beating Jorge Ahumada, of Argentina on points in 1974. His achievement seemed to convince other British boxers that the world title was within their reach, too. John Stracey, Maurice Hope, Alan Minter and Jim Watt followed.

Conteh defended his title three times: against Lonnie Bennett, Alvaro Lopez and Len Hutchins. But then because of an injured right hand and a bruising encounter with the establishment for better terms his career momentarily seemed to lose direction and he was stripped of his title when he refused to defend it against Miguel Cuello in Monte Carlo. After that, try as he might, he always remained the challenger. He was unfortunate to lose a close decision to the Yugoslav, Mate Parlov. But he did once more rise to great heights when he took Matthew Saad Muhammad 15 rounds in Atlantic City with the American's corner having to use an illegal substance to stop the flow of blood from a cut above the champion's left eye.

The return with Saad Muhammad was perhaps the most damaging to Conteh's career and many thought that he should have retired after his four-round defeat. He not only did not use his right hand but went down almost without making a fight of it. Conteh never seemed to have got rid of his deep-seated fear of using the right in case he damaged it. Though once when he did use it against Leonardo Roger, the big, hard-hitting Colombian did not know what hit him. Conteh remained to the end of his career conscious of his right hand and at press conferences it was invariably nursed by the left.

Conteh's last contest was back in his home town of Liverpool, where he was given the kind of standing ovation by his fellow citizens that would have politicians of any hue or cry green with envy. But it was not a convincing return against an unknown boxer of little skill. Conteh moved up to the cruisers, a ranking that has come out of mothballs though the man now at the head of it is a lively sub-lieutenant Carlos de Leon. Conteh's challenge for De Leon's title, which was to have taken place in Liverpool, never made it to the home port. When the offer from the newspaper came along it was just the time to do what he thought he should have done four years ago. He slung his hook.

Conteh was born in Liverpool of a West African father and an English mother and was one of a close family of 10. As he told the Daily Mirror: "I took up boxing because it was the only way I could see of escaping from poverty." It is thought he earned about £500,000, not much for a boxer but not bad for a man who never wanted to be one because "I never really enjoyed it".

Racing

Hopeful Shot switches to a new target

By Michael Phillips
Racing Correspondent

The race meeting due to be held at Haydock Park this afternoon was scrapped yesterday because part of the hurdles course was waterlogged. But provided that the weather does not turn savage in the next 24 hours racing will be possible there tomorrow simply because the stewards of the Jockey Club were able to draw up contingency plans sufficiently far in advance when they were warned about the problem on their hurdles course by their inspector of courses.

Tomorrow's card will now comprise only the steeplechases originally due to have been run during the two days and it should make for an enthralling programme. Because of the problems at Haydock the field for the March Hare Handicap Hurdle at Newbury today now includes two horses who otherwise would have run in the more valuable Victor Ludorum Hurdle on the Lancashire course tomorrow. They are Hopeful Shot and Great Developer and together they should help make today's race a much more absorbing affair as they head the handicap with 12st and 11st 11lb respectively.

Hopeful Shot, who is my selection in this instance, has won twice already at Newbury this season. Those successes were achieved way back in the autumn. In the meantime he has had the misfortune to cross paths twice with the Triumph Hurdle favourite, Broadsword, and each time he has come off second best.

Hopeful Shot was also beaten by Apple Wind at Doncaster at the end of January but time may prove that he was attempting the impossible there where he was trying to give 10lb to a horse who has now won four of his last five races.

Until the Victor Ludorum looked like being a victim of Haydock's problem with drainage Hazeldean was to have been David Nicholson's only runner in today's race and it is perfectly possible to argue that he has an excellent chance of beating Hopeful Shot. After all only five lengths divided them in November and now Hazeldean has been set to receive 17lb from his old rival.

Hopeful Shot is preferred though simply because his form overall stands up the better under scrutiny. Hazeldean's stable companion Great Developer, being the out-and-out stayer that he is, should be in his element on today's demanding course. He won his latest race at Fontwell Park decisively but I will be surprised if his rider is given so much rope.

Every bit as open as the March Hare Handicap Hurdle is the Arkle Brewery Handicap Steeplechase even though it has attracted fewer runners. Money Talks and Socks have clashed already this season as indeed have Early Spring and Professor Plum and El Cardo and Professor Plum. With so much evidence to call upon the handicapper has been able to fill in a few blank spaces in the annual form book.

My first inclination was to go for Money Talks who beat Socks by six lengths at Windsor in January but on second thoughts I've decided to plump for Early Spring, who seems to have taken on a new lease of life at the age of 11. He excelled when he won the New Year Handicap Steeplechase over today's course and distance, needless to say at the beginning of January. No matter how Money Talks fares his trainer, Les Kennard, may still not leave the course empty handed because Two Coppers, his runner in the Bath Road Handicap Hurdle, appears to have a better than average chance.

Leney Dual, my selection for the Three Fives Young Steeplechasers Qualifier, has better performances to his credit this season than any of his rivals even though he finished out of the first four in his last race in which he started favourite.

Rugby Union

England must raise their game to crack Irish nut

From Peter West
Rugby Correspondent
Dublin, March 5

The chairman of England's selectors, "Budge" Rogers, said in Dublin yesterday that he regarded tomorrow's international against Ireland as representing a very difficult assignment indeed. "There is only one way we're going to win it", he said, "and that's by control up front. The time is due for our forwards to provide their best performance in the championship".

These views, surely realistic enough, were echoed by the captain, Bill Beaumont, who won his first cap in Dublin six years ago and is now about to play his fourth encounter at Lansdowne Road. "We've always looked upon the Irish game as being the hardest nut to crack this season," he said, "and, although Ireland have lost to France and Wales, it would not have taken much for them to have won both games. They're bound now to make a tremendous effort against us. Every international is tough, especially when it's away from home, and we're under no illusions that this one will be as tough as any."

Beaumont went on to reflect that he had never known an occasion when the Irish forwards were not a distinct handful to cope with. However, England's pack sunk them almost without trace at Twickenham last season, so how confident was the captain that a restructured pack could do the same again? "I think we're capable of giving the same performance," Beaumont said, "but obviously we've got to lift our game".

The captain expressed the hope that England would have a repeat of the dry conditions they enjoyed against Scotland, and conceded that a wet day might be more to Irish liking. He may be disappointed, since the forecast does not sound too good. It was not much of a soft Irish afternoon at the Monkstown Rugby Club yesterday when the England party trained for upwards of an hour in a raw wind and on a saturated pitch. In all other respects the local welcome was characteristically hospitable.

The hooker, Peter Wheeler, was none the worse for his recent shoulder injury, and the scrum half, Steve Smith, moved freely enough after a slight groin strain sustained a week ago. Smith, en passant, is the sole survivor from the England party that came to Dublin in 1973—the year when Scotland and Wales felt unable to travel — and won themselves a tremendous welcome as they came out on to the field. The hosts subsequently gave England a sound beating, and England's captain, John Pullin, observed at the banquet afterwards: "Well, we may not be much good, but at least we turn up".

An encouraging feature of yesterday's activity was the sight of the lock, Maurice Colclough, jumping with his old ardour at the lineout practice and catching the ball with two hands again. He has had two quiet games for England this year after being a considerable force with the Lions in South Africa.

Michael Gibson, one of Ireland's reserve forwards, went to hospital yesterday with suspected appendicitis. The Irish selectors have called up the Shannon flanker, Colm Tucker, who played for the Lions in the last two internationals against the Springboks last summer.

Mennea retires

Turin, March 5.—The Italian sprinter Pietro Mennea who said before winning the gold medal in Moscow over 200 metres that he might retire, kept his promise yesterday when he announced his retirement. Mennea was also world record holder over the distance.

Golf

Competitors hurt in accident

From Lewine Mair
Vale do Lobo, March 5

What should have been a thoroughly satisfying day for Garry Logan at Vale do Lobo as he won his fifth Longshot pro am in six starts, was marred by the car accident involving four of his fellow competitors late on Wednesday night.

Guy Rich, the ex secretary of Bramley GC, died of a heart attack shortly after the collision, in which professionals Bob Wynn and Vince Hood were both seriously injured.

It was on a notoriously dangerous bend on the road leading to Vale do Lobo that Wynn's car went out of control.

Wynn, who was off the danger list at Faro hospital by lunch time yesterday, has a collapsed lung, an assortment of broken ribs and has broken both legs.

Hood is suffering from a hairline fracture of the skull and will need hip and wrist surgery. It is expected that the two will be flown from Portugal today to continue their treatment in London hospitals. The only other traveller in the car, Len Bryant, escaped with minor injuries.

Logan, who came out to Portugal on January 1 with an overdraft of £4,000, has pocketed £7,300 in prize money during his run of success. Not only did his 206 aggregate—69, 67, 70—leave him two shots clear of Christy O'Connor and Ewen Murray but it was good enough, by one shot, to win him an extra £1,000 for having the lowest aggregate over two Longshot events.

Knowing that he could not afford to drop a shot over the last three holes if he was to win this extra award, Logan finished 435 against the par of 534. He hit a glorious two iron onto the heart of the 16th green on route to his birdie and, after driving into a small bush at the 18th, did nothing more than make certain of his five.

Now 25, Logan feels that he has come to the end of a lean spell which, he insists, was at one time so bad that "I could not have won a monthly medal". After seeking the advice of countless professionals he decided to try, on his own, to rediscover the simple swing which had served him in his amateur days.

By the end of last season there were signs that things were coming right but, as he concentrated on his long game, so his short game went to pieces. He worked long and hard on his pitching and putting over Christmas and, though he dropped 14 shots to par over his first two pro ams of 1981, he has been a total of 26 under par for the last six.

SCORES: Final scores: 206: G. Logan (Seahouses), 69, 67, 70. 208: E. Murray (Walton Heath), 69, 71, 68; C. O'Connor (Royal Dublin), 68, 73, 67. 209: J. Farmer (Duddingston), 72, 65, 72. 210: B. Hutchinson (Moortown), 66, 75, 69. Leading team score: 381: Christy O'Connor.

Rugby League

Plotting a course back to top

By Keith Macklin

Two days of strenuous exercises and listening to lectures await leading Rugby League coaches today and tomorrow at Carnegie College, Leeds. Memories of Great Britain's fitness and technique failures against Australian and New Zealand international sides have resulted in 30 of the 31 teams in the two divisions sending coaches to the conference which is the idea of Colin Hutton and John Whitley, the Great Britain manager and coach.

Among the coaches attending will be Roger Millward, Doug Laughton, Arthur Bunting, Kel Coslett, George Fairbairn and Tommy Bishop. The conference, organized by the League, will mix an exercise programme with an almost equally intense programme of lectures, film shows, video tapes and discussions. Subjects include fitness, speed, strength, stamina, the role of the coach, planning a training programme and assessing a player's fitness potential. The course will be run by Rod McKenzie, senior lecturer in physical education at Leeds Polytechnic.

George Noyce, the Fulham secretary, said yesterday that his club could miss promotion if the League insisted on it playing four games in nine days over Easter. Mr Noyce said that the League had ruled that the postponed game at Rochdale should be played on April 16, after Rochdale Hornets had asked for a Good Friday fixture. Fulham would have to play Batley on April 12, Huddersfield on Easter Sunday, April 19, and then the final home game against Doncaster on Easter Monday.

Mr Noyce added: "There is no aggravation with the Rugby League, but we wanted the Rochdale match to be played in midweek round about now. We understand Rochdale wanting a big gate around Easter but our first priority is promotion. We have a small squad and a couple of injuries could put us in serious trouble."

On a pleasanter note, Mr Noyce expressed the club's pleasure at the meteoric rise to the Welsh international side of Martin Herdman, who is skilled at boxing and karate as well as rugby. "It is amazing to think that he was playing amateur Rugby League on Sunday mornings for Peckham less than two months ago," said Mr Noyce. "It is a real thrill to have created our own home-grown member of an international squad."

Holdstock declines: Steve Holdstock, the Nottingham Rugby Union winger, a candidate for England's summer tour of Argentina, has turned down an offer from Hull Kingston Rovers to turn professional. "It was a tempting offer financially but I am committed to Rugby Union," said Holdstock.

Move along—Clifford is back again

By Srikumar Sen

What better way for Cambridge University to put behind them the kerfuffle over a student boxing on a false medical card, which led Mid-Anglia ABA to fine the club and suspend the trainer, than wiping the floor with their eight-rivals Oxford University at Kelsey Kerridge Hall, Cambridge (8.0) tonight. Chris Neil Jones, the Cambridge secretary, is confident that they will clean up the lighter and heavier weights.

The return of last year's captain, Conrad Clifford, of Corpus Christi, to represent the university for a fourth year at welter has strengthened the side but it has meant readjustments in four other weights from welter down and they are running around frantically trying to shed weight. This could make them lean and hungry tonight. But Selwyn's heavyweight, John Beesley, and the light-heavy Australian, Tony Griffin, "who sets the crowd going" according to Neil Jones, can carry on eating hall dinners and consuming beer by the sconceful.

Oxford, who have had the benefit of the experience of the former Commonwealth featherweight champion, Percy Lewis, meanwhile, weighed in on Monday and found everyone present and correct.

Newbury programme

[Television (BBC 2), 2.30, 3.0, 3.30 and 4.0 races]

2.0 WHATCOMBE HURDLE (Div I: novices: £1,229: 2m 100yd)

1 01012 Tru Mar, F. Rimell, 5-12-4 ... Mr A. Sharpe 7
2 1422 Brown Chamberlin (CD), F. Winter, 6-12-0 ... J. Francome
3 140022 Athgoo Hill, P. Bailey, 6-11-11 ... A. Webber
4 04421 Lucyfar (CD), F. Walwyn, 5-11-11 ... S. Shilston
5 All, Mrs C. Goetlberg, 6-11-7 ... L. Sward
6 03vor0 All Bright, Mrs R. Lomax, 6-11-7 ... Mr C. Roe
7 0- Cashla Bay, N. Henderson, 6-11-7 ... S. Smith-Eccles
[illegible]

2.30 THREE FIVES YOUNG CHASERS' RACE (Qualifier: £2,165: 2m)

[illegible]

3.0 ARKELL BREWERY CHASE (Handicap: £2,913: 2m 160yd)

[illegible]

3.30 MARCH HARE HURDLE (Handicap: 4-y-o: £2,922: 2m)

[illegible]

4.0 BATH ROAD HURDLE (Handicap: £2,368: 3m 120yd)

[illegible]

4.30 WHATCOMBE HURDLE (Div II: Novices: £1,266: 2m)

[illegible]

Newbury selections

By Our Racing Correspondent

2.0 Brown Chamberlin. 2.30 Leney Dual. 3.0 Early Spring. 3.30 Hopeful Shot. 4.0 Two Coppers. 4.30 KNIGHTHOOD is specially recommended.

Clear victory for Sointulla Boy was long ovedue

On a wet, miserable day at Ludlow yesterday the most impressive winner was Sointulla Boy who earned a tilt at Cheltenham's Arkle Challenge Trophy after gaining a facile success in the second division of the Bromfield Novices Chase.

After coming second to such top performers as Easter Eel, Clayside and Stopped, Sointulla Boy was not winning out of turn. He was always going well and after disputing the lead five fences out, came through "on the bridle" to lead with three to jump. He negotiated them in splendid style and came home hard held in the hands of Tim Houlbrooke to win by five lengths from Wollop. Sointulla Boy is trained by Houlbrooke's mother, Reulwen, in her first season as a permit holder.

Ludlow results

[illegible]

Welsh will face a test of character

Despite the fact that the Welsh centenary season has not been the huge success administrators and players had hoped for, there was a more confident air at Cardiff yesterday than hitherto.

After a hard workout at the National Stadium the chairman of the selectors, Keith Rowlands, pronounced his team fully fit for tomorrow's game against France: "The boys are certainly more on their toes than a month ago. They are fitter both mentally and physically".

Mr Rowlands conceded that France are the only one of the five competing countries to win away from home: "Parc des Princes is an extremely difficult place to play", he said. "And it is going to be a hard hurdle, particularly for some of our younger players. It is going to be a real test of character for them".

The coach, John Lloyd, said: "We have introduced some new blood and in the last international we had a better performance than we had against Scotland. Now everyone is looking forward to the challenge of Paris. We got our game right at forward against Ireland, let's hope we can put things together behind, get some fluency and score some tries".

Two former Wales players, Eddie Butler and Terry Cobner, are reunited in the Pontypool back row which plays at Neath tonight. Butler leads the side and Lyndon Faulkner returns at centre for his first senior match since January.

Bristol call on Dun to do his part

The Bristol stand-off, David Sorrell, was named for tonight's match at Pontypridd, despite injuring a hamstring in Tuesday's 26—3 win over the Army. He tested the damaged leg last night as Phil Cue, who has had an outstanding season at full back, stood by to change positions.

Bristol lost the No 8, Steve Gorvett, with a head wound against the Army—he needed seven stitches after colliding with Mike Rafter—and his place goes to the medical student, Andy Dun. It will be Dun's first senior game since October. Pontypridd will be without their veteran lock, Bob Penberthy.

Bath go to Camborne tomorrow for a vital merit table match without the Dutchman, Michel van der Loos. He has gone home for a holiday before joining an Australian club where he will link up with another Bath forward, Simon Jones.

His place at lock will be taken by Andy Marriott for a game Bath must win to stand even a slim chance of qualifying for next season's John Player Cup. While defeat would leave them firmly outside the qualifying group of four, even a win would leave them needing to beat Bristol on Easter Saturday and Plymouth Albion losing their two remaining merit matches, at home to Exeter and Bristol. Charlie Ralston is brought in at full back while two Cornishmen, Barry Trevaskis (wing) and Gareth Shilcott (prop) both come into the side.

Equestrianism

Snell recovers King George V Cup

By Pamela Macgregor-Morris

For the second time in four years Jimmy Snell, who gave up his bakery near Helston in Cornwall to devote himself to premium stallions, won the King George V Cup at the Hunters' Improvement Society Show at Newmarket yesterday. His winner was Saunter, by Charlottsville out of Padella by St Paddy, who was in training in 1974 and 1975, winning the Prix MacDonald at St Cloud.

As runner-up, Mrs Hugh Gingell, Master of the Cambridgeshire Harriers, and John Daniell selected another previous champion, Max Abram's classicly conformed Current Magic, by Current Coin out of the Aureole mare, Phosphoresence, who survived six seasons in training, winning both on the flat and over hurdles. He won the MacDonald-Buchanan Cup for stallions new to the premium scheme in 1978 for Graham Lloyd, who had bought him for the proverbial song (a mere £600) at Ascot.

The judges chose him on this first appearance at Newmarket to win the King's Cup as well, but the rules debar novices from the supreme award and he had to wait his turn until 1979. After four seasons at Hays-on-Wye, he has been sold into Yorkshire, joining Mr Abram's influential stud where the Queen's Cleveland Bay stallion also holds court.

The Macdonald-Buchanan Cup went to Mr Sidney Smith, who farms near Towcester in the Grafton country, for Abyssinia, by So Blessed out of the Pardel mare, Addis Ababa: Mr Smith was narrowly beaten last year for this coveted trophy with his home-bred Evening Trial horse, Evening All, who, attended by the Queen's dressmaker, Ian Thomas, yesterday won the first district class and wound up fourth in the Super Premium line-up, below Derek Gethin's Big Ivor, from Montgomeryshire.

"Tub" Ivens, who won both trophies last year, has sold his champion, Osiris, to Belgium, where in November he beat all the Dutch and German stallions. But Mr Ivens's young champion, Lord of Arabia, was a winner, while Red Man brought off a double for Mr Snell. But Mr Lloyd, who brought four stallions with him, won only one premium—"and that was for my worst horse!"

The new system of having the stallions selected by a panel of five committee members, few of whom have practical experience of stallions, has come under fire and Herefordshire members are talking of forming an offshoot or splinter group, as Northumberland and the Buccleuch country did years ago, which would be regrettable.

KING GEORGE V CUP: J. T. O. Snell's Saunter. Reserve: M. Abram's Current Magic.

MACDONALD-BUCHANAN TROPHY: 1, S. J. Smith's Abyssinia; 2, L. S. Ivens's Padro.

Latest European snow reports

	Depth (cm) L	Depth (cm) U	Piste	Conditions Off piste	Runs to resort	Weather (5 pm) —	°C
Andermatt	150	360	Good	Powder	Good	Fine	2
Powder on hard base.							
Avoriaz	190	230	Good	Fair	Good	—	-2
Good piste skiing.							
Grindelwald	90	200	Good	Powder	Good	Fine	-8
New snow on good base.							
Isola 2000	40	70	Fair	Fair	Fair	Fine	2
More snow still needed.							
La Plagne	190	450	Good	Powder	Good	Fine	0
Good skiing everywhere.							
St Anton	110	480	Powder	Powder	Good	Fine	5
Good skiing conditions.							
Seefeld	11	160	Good	Powder	Good	Fine	-2
New snow on good base.							
Tignes	160	250	Good	Heavy	Good	Clear	2
Soft snow on hard base.							

In the above reports, supplied by representatives of the Ski Club of Great Britain, L refers to lower slopes and U to upper slopes. The following reports have been received from other sources:

SWITZERLAND	Depth (cm) L	U	State of Piste	Weather —	°C
Adelboden	80	180	Pwdr	—	-8
Arosa	140	190	Pwdr	—	-10
Braunwald	210	250	Pwdr	—	-6
Champery	20	160	Pwdr	—	-3
Chateau d'Oex	60	160	Hard	—	-3
Davos	100	250	Pwdr	—	-8
Diavolis	80	200	Pwdr	—	-5
Engelberg	130	260	Pwdr	—	-6
Gstaad	90	200	Pwdr	—	-8
Kandersteg	90	220	Pwdr	—	-8
Laax-Flims	90	250	Pwdr	—	0
Lenk	80	180	Pwdr	—	-9
Lenzerheide	90	160	Pwdr	—	-1
Les Diablerets	70	150	Pwdr	—	-10
Leysin	80	160	Pwdr	—	-3
Pontresina	55	70	Pwdr	—	-13
Saas-Fee	25	70	Pwdr	—	-5
St Cergue	120	170	Hard	—	-2
St Moritz	20	60	Hard	—	-15
Savognin	40	100	Pwdr	—	-3
Unterwasser	90	140	Pwdr	—	0
Villars	80	250	Pwdr	—	-4

Geoffrey Smith on why the Tory Party chairman should be looking for his successor

A warning Lord Thorneycroft cannot ignore

Lord Thorneycroft is the wise old uncle of the Conservative Party. He played that role to perfection in the run-up to the last election. In the early phase of the present Parliament he was less prominent, largely because the Party was in office but he was not in the Cabinet.

In the past few weeks, though, he has come much more into the picture, with broad hints to the younger ones that it was time they started speaking like politicians again. Forget about dogma, take care of the voters—that has been his message. It was because Mr John Biffen was falling over himself to forget about dogma in his controversial television interview with Mr Brian Walden that Lord Thorneycroft so much approved of his performance.

In this role he remains a considerable asset to the party. He has the panache and flourish of a bygone era, which enhances the impression of wisdom. His age and special position enable him to offer candid advice, to propose changes in political style, without being suspected of personal ambition. He is one of the few people around the top in Conservative politics from whom Mrs Thatcher could afford to take uncomfortable advice without fear that her position was being undermined.

Such a man must always be valuable, but double so in the Government's present condition when it is faced with a daunting problem of presentation—whatever the substance of its policies turns out to be.

This is not the only role, however, of the Conservative Party chairman. He is also responsible for running the party; and it must be said quite simply that in this task Lord Thorneycroft has made rather a mess of things. It is not just that he is not particularly interested in administration himself. He has not sourrounded himself since the election with people of sufficient weight to perform that function for him.

Before the election Lady Young, as deputy chairman, acted as a virtual managing director. But she is now Minister of State for Education. To fill the gap at Central Office Mr Alistair McAlpine became deputy chairman as well as treasurer. As treasurer he has been notable for his skill at raising money, and as deputy chairman he has been notable for spending even more than he has raised. It is a tendency with which many of us must instinctively sympathize, but the consequences have been embarrassing.

In the financial year 1979-80 the Party was spending on the basis of a projected income of £6.3m, but it received £600,000 less than that. In the present financial year it planned to spend £5.3m, but its income is now estimated to be falling £1.5m short.

For the coming year it is now accepted that income is not likely to be above £3.8m, which will require even more severe economies than are implied by comparison with the projected income of the year before because substantial interest will now have to be paid on the accumulated loss.

Not surprisingly, gasps of anguish are heard as belts are tightened. After the last election the Party was run without departmental budgets. Then last summer Lord Thorneycroft aimed to cut spending by £750,000 through a number of savings, including the highly

Lord Thorneycroft: a good deal of stick lies ahead.

controversial decision to eliminate the community affairs department as a separate entity. In December, departmental budgets were reimposed again and it was decided that 10 per cent must be cut from what each department had spent—excluding salaries—taking an average between the years 1979-80 and 1980-81. Now this week further cuts of 10 per cent have been imposed.

It is impossible for economies of this dimension to be painless. The effects will be felt by the Party in the country as well as at Central Office. The research department, which was brought into the Central Office after the last election by Lord Thorneycroft in another of his controversial moves, seems likely to suffer. So will publicity. One probable saving will be the £300,000 or so spent on Saatchi and Saatchi for party political broadcasts. Between now and the election at any rate these broadcasts are likely to be produced by the Party itself.

Economies on such a scale are bound to increase the tensions that already exist within the party. Lord Thorneycroft has never got on particularly well with the National Union, the leaders of the voluntary side. They have felt that there has been a lack of consultation and that he has been rather too keen to look at ways in which their operations might be improved—in the organization of the annual conference, for example.

There will be all the more discontent if the party does as badly as is expected in the local elections in May. It is one of the injustices of politics that when the party wins votes the parliamentary leaders get the credit, but when it is in electoral difficulties the party organizers take more than their share of the blame. Lord Thorneycroft can therefore expect a good deal of stick before May is out.

Altogether, it seems most unlikely that the present team at Central Office will be able to restore confidence within the party. The feeling will have to be conveyed of a new beginning. The most obvious means of doing this is to have a new chairman. But there are difficulties about this. The natural replacement would be Mr Francis Pym, but he became Leader of the House of Commons only two months ago. It would be almost equally undesirable for him to combine that office with the chairmanship of the party or for there to be another change so soon in the leadership of the House. It is hard to see anyone else, whom Mrs Thatcher might consider appointing, who would both manage the party better than Lord Thorneycroft and be equally effective as a guide and counsellor.

The need for a wise voice will become all the greater with the emergence of the Social Democrats, who present the Conservatives with unaccustomed problems, as Lord Thorneycroft has been one of the first to appreciate. But if he is to continue he will need a political figure of some standing as his deputy.

The role of managing director is in effect being filled at the moment by Mr Alan Howarth, who was Lord Thorneycroft's personal assistant, then became head of the research department, and now combines that function with the office of vice-chairman. He is an active coordinator, but he does not have the seniority and standing within the party to command the confidence that alone could make unpleasant measures generally acceptable.

Unless Lord Thorneycroft appoints someone of such seniority as his deputy it would not be surprising to see him swept away in the course of the year in a surge of Conservative anguish. Nor would this be an unjust outcome if he cannot or will not find such a deputy. If he falls he will not have been penalized for speaking out. He will not have been punished for his lack of doctrinal conviction. It will simply be that having spent so much time warning the Government to protect its flanks against attack, he will have failed to apply that same advice to himself.

Now for the L-shaped slump

Economists love to use the letters of the alphabet to describe recessions. They can be V-shaped (a quick recovery) U-shaped (things stagger along a little before turning up) or even W-shaped (there is a false dawn, with another bout of recession before things pick up finally).

The recession we are in now is beginning to look suspiciously like an L-shaped slump. The drop in output is the worst since the war; the drop in manufacturing output is the worst this century, worse even than 1929. Even more depressing, there is no sign, whatever ministerial optimists may say, that any significant recovery is in sight.

Output is now about 6 per cent lower than it was at its peak in the spring of 1979. Unemployment has risen by well over a million.

It is all very different from the aspirations the Government had on beginning its policy. They believed that as long as the country knew that tough money policy was going to be pursued, this would on its own get down the inflation rate. Having conquered inflation, they would be able to get sustainable growth, so that we would end up with price stability and rising output. Neither of those things will be achieved under present policies.

Ministers keep anxiously searching for signs that we have touched bottom. We have not done so yet, though we soon will. What the ministers do not say is that having touched bottom we shall pretty much stay there.

Far from laying the base for faster growth in the future, the drop in output is likely to be followed by near stagnation.

With nearly two years gone of the Government's term of office, unemployment is rising inexorably towards three million. The London Business School, whose forecasts are more optimistic than other mainstream forecasters and whose views are quite close to the Government, predict falling living standards each year between now and 1984. The Confederation of British Industry expects unemployment to rise until 1985. Forecasters agree that the Government will enter the election with national output well below the level at which it took office.

All of these forecasts, it should be stressed, contain assumptions which work in the Government's favour. The actual outcome could be even worse.

Ministers have shown some realization that things are not going well in the public mind. Words like gradualism and pragmatic are being relearned.

There are also continuing examples, such as aid to BL, where the Government's actions are very different from what one would expect from its theories. But in spite of all the failures, the evidence suggests that Government ministers, particularly Mrs Thatcher, have not really accepted that the policy is failing because it is wrong.

"I find it touchingly optimistic of them to have a Budget at all..."

Whenever they speak of [illegible] takes, they are always fail[illegible] to be tough enough about pu[illegible] spending or public borrow[illegible] The Prime Minister still [illegible] the word "reflation" as an [illegible] sult.

The medium-term finan[illegible] strategy has been a deb[illegible] up to now, with money [illegible] ply growing by about 18 [illegible] cent this year instead of [illegible] maximum of 11 which the G[illegible] ernment claimed it wo[illegible] achieve. No matter say the mi[illegible] sters, the signs are that [illegible] MTFS is bein reworked in [illegible] another effort to convi[illegible] people that the policy is b[illegible] on course.

The Government's efforts [illegible] controlling spending have b[illegible] sabotaged by the rise in un[illegible] ployment which it itself [illegible] much to create. The cuts [illegible] spending scheduled for [illegible] year will not happen. But [illegible] can be sure that ministers [illegible] promise that they will c[illegible] next year or the year af[illegible]

It is easy to see why thi[illegible] so. No one likes admitting t[illegible] were wrong. The Governm[illegible] came in convinced that cri[illegible] who warned that tight mo[illegible] tary policy combined with [illegible] in public spending would ca[illegible] recession were defeatist w[illegible] The fact that that is exa[illegible] what has happened does [illegible] make the next half of the m[illegible] sage, that only increa[illegible] demand can make the econ[illegible] expand, any more accepta[illegible]

Yet that is clearly the m[illegible] sage which the economic f[illegible] casts of the economy are [illegible] giving us. The CBI propo[illegible] are wrapped up in lots of fl[illegible] flam about "development" [illegible] government policies, but t[illegible] actually want a straightforw[illegible] reflation of £1,500m a year [illegible] stead of the deflation wh[illegible] we are currently getting.

The Government clea[illegible] believes that its overall polic[illegible] have certainly not been [illegible] tough. Instead, it says that [illegible] way things have worked [illegible] means that the balance betwe[illegible] the various sectors of [illegible] economy has to change. N[illegible] week's Budget will shift [illegible] burden of taxation away fr[illegible] companies towards individua[illegible] Doing this is a sensible thi[illegible] as far as it goes. But it does [illegible] go very far to achieve the lo[illegible] term recovery of the econo[illegible] and it will do terrible things [illegible] the Government's popularity.

The real burden tax on t[illegible] economy has gone up und[illegible] this Government and the tax [illegible] individual wage earners w[illegible] almost certainly go up aga[illegible] over the next year. People ha[illegible] votes; companies do not. The[illegible] is no way that the Governme[illegible] will be able to give sustaine[illegible] assistance to companies at th[illegible] expense of the rest of us an[illegible] win the next election.

Cuts in interest rates an[illegible] shifting taxes from companie[illegible] to individuals may help in th[illegible] short run to slow down t[illegible] rise in unemployment, but the[illegible] will not produce sustaine[illegible] growth in demand and outpu[illegible] because the sums involved a[illegible] not large enough. It is not [illegible] any case, so much the way th[illegible] the cake is shared out as t[illegible] fact that it is too small whi[illegible] is the problem. Whatever t[illegible] Chancellor says about this ye[illegible] seeing a Budget for busine[illegible] the closures will go on [illegible] some time yet. Even the dr[illegible] in the value of the pound [illegible] recent weeks, although go[illegible] for industry, will have only [illegible] limited effect.

Would any policy aimed [illegible] getting more expansion le[illegible] automatically to more inf[illegible] tion? Not necessarily. F[illegible] example, cuts in the surchar[illegible] on employers national i[illegible] surance contributions wou[illegible] actually reduce costs an[illegible] prices. So would a reduction [illegible] the rate of value-added ta[illegible]

Increased investment [illegible] parts of the public sect[illegible] could also increase outp[illegible] without fuelling inflation.

Inflation is not the only thi[illegible] which matters in the econom[illegible] So do jobs, real living sta[illegible] dards and investment in ou[illegible] future. So far the Governme[illegible] has tried to claim that it can d[illegible] nthing about these things. I[illegible] can and it should. Next wee[illegible] would be a good time to star[illegible]

David Blak[illegible]
Economics Edit[illegible]

William Frankel takes a critical look at the EEC's attitude towards Middle East peace efforts

What President Sadat really told Europe

The European Parliament is seldom newsworthy but it did make an impact on the international scene one day last month when President Sadat delivered an address on peace in the Middle East. The Egyptian leader has a flair for capturing headlines and this speech was widely reported because of its topicality in the light of the EEC's efforts to involve itself in the Middle East peace process.

His main points can be reduced to three. He made it abundantly clear that he was not abandoning the framework of the Camp David agreements. Secondly, he declared his support for Palestinian self-determination and the creation of an undefined "Palestinian entity" after a transitional period. Thirdly, he saw Europe's role in the peace process as no more than providing "additional security guarantees".

Nevertheless, the Foreign Office appeared to be thrilled with the speech and its spokesman commented, "We are, of course, delighted by the welcome which President Sadat has given to European efforts for peace in the Middle East." But President Sadat had patently done nothing of the kind. He was courteously requesting his hosts not to interfere and the slant given to this message by the Foreign Office only illustrates the eagerness of Lord Carrington, the power behind the European initiative, to promote and dignify his deplorable diplomatic campaign.

The recent history of Europe in Middle East affairs is a craven one of expediency. Ever since President Sadat transformed the Arab-Israel conflict with his journey to Jerusalem in 1977, the European community has shifted uncomfortably from one foot to the other. Five months earlier, its Council of Ministers had declared its interest by affirming, for the first time, the "need for a homeland for the Palestinian people", a statement unlikely to have any other practical effect than as a gesture of friendship and support for the rich and powerful Arab world.

The Sadat mission was awkward for the EEC. On the one foot it was difficult to object to this giant step towards peace; on the other, enthusiastic support was likely to anger the oil suppliers who remain unreconciled to Israel's existence.

President Sadat: his mission proved awkward for the EEC.

France, more anxious than the others to please the Arabs, at first vetoed a statement supporting the Sadat mission though eventually, under American pressure, the Nine did offer it a guarded and qualified welcome. Then they maintained a 10-month silence (ignoring two appeals from the Egyptian leader for a further declaration of support) broken by a statement of welcome for the Camp David accords in September 1978. When the Egypt-Israel peace treaty was signed in March 1979, the EEC reaction was restrained, again at the prompting of France, because the Arab world objected to this piece of peace.

The arrival of a Conservative Government in Britain and with it Lord Carrington and Sir Ian Gilmore at the Foreign Office, coincided with the publication of yet another Middle East statement by the Community in June 1979. It restated the right of the Palestinians to a homeland and denounced the policies of Israel but contained not a word of encouragement for the peace process or for Egypt and Israel, the only two Middle East states talking about peace.

Finally came the most precise statement so far of the European initiative at the Venice summit last June. The Europeans now announced their intention to engage in active diplomacy to bring about a Middle East settlement with which the Palestine Liberation Organization, not just the Palestinians, would have to be associated.

Neither of these two propositions, central to the European thesis, has ever received the support of President Sadat, or for that matter, of the United States and Israel. In fact, they all regard them as disruptive of the peace process—but Lord Carrington obsessively presses on. His meeting with Mr Haig in Washington did not, according to the reports, persuade the Americans to change their view.

That may be because the progress that has so far been made has owed nothing to Europe. The United States alone has retained the confidence of both parties to the conflict and has used that position to encourage and help the compromises and concessions which led to Camp David and peace. Europe's main concern has been to protect its oil supplies. That is a legitimate national interest, as is the search for peace in the area. But in the partisan pursuit of these objectives, the Europeans have disqualified themselves from any role as honest brokers.

That job of conciliation can still only be performed by America and, although difficult problems of implementation await resolution, the Camp David agreements remain the best available option. The process has stalled but Camp David is by no means dead or even moribund. The alternative which the European initiative purports to offer is not only unrealizable but a hindrance to the further burgeoning of the first and only successful stride towards peace in the Middle East for 30 years.

Europe offers to the Arab rejectionists the hope that a settlement on their terms can be imposed on Israel. The PLO is offered recognition without paying the price of accepting Israel and abandoning terror. Why should the Arabs face the daunting reappraisals involved in peaceful negotiations and cooperation in working out a system of autonomy for the West Bank if they believe that, by relying on the Europeans and sinking Camp David they can be assured of an instant Palestinian state?

If the Arabs of the West Bank really want a separate state for themselves (and, given a free choice, that is not certain) the process will have to begin with autonomy. Before Israel achieved statehood in 1943, the Jews in Mandatory Palestine had, over a period of decades, created an institutional structure which afforded them a considerable measure of autonomy and made the transition to statehood a natural one. Camp David gives the Arabs the opportunity to follow the same course.

To deflect the attention of the world from the real obstacle to progress—their own unyielding hostility to Israel—the Arabs have tried to persuade their friends and customers that responsibility for the continuation of conflict should be pinned on Israel. The searchlights of the media are directed to the plight of the Palestinians, in camps or in the 22 Arab states, unable to return to their homes in Israel. Receptive ears are turned to the protests of the West Bankers against the frustrations of occupation. Responsible journalists file pathetic stories, factual in themselves but unbalanced because other relevant facts are ignored.

It is rarely recorded that the sufferings and disabilities have arisen as a result of wars initiated by their own leaders or that, with the sole exception of Egypt, the Arab world still maintains a state of war with Israel. The interested world is not reminded that the redress which is available to some of the victims is rejected by them because that would involve communication with Israel. Above all, critics of Israel show little awareness, let alone appreciation, of the country's safety necessities in a situation where weakness or excessive concessions under pressure could mean annihilation.

This selective indignation shared by the Soviets, Arabs and the New Left distorts a complex and emotive problem and, by diverting attention from the real source of the conflict, frustrates the search for answers. Objectionable Israeli policies are a consequence of Arab enmity, not its cause. Given time in which to draw the lessons of the Egypt-Israel peace and aided by a period of benign neglect from the rest of the world, some other Arab states may well see the advantages of moving in the same direction.

So far as the EEC is concerned, its members could play an honourable and constructive role were they to encourage the Arabs to sit at the negotiating table and the PLO to lay aside its grenades and guns. Such a policy might not ingratiate them with those who wield the oil weapon but it is more likely to contribute to peace than a policy of appeasement.

MOSCOW DIARY

A show designed for the media

It is all over, and Moscow is breathing a large collective sigh of relief. The 26th Party Congress, over which officials sweated for months drawing up plans and programmes in the minutest detail, has ended after eight interminable days. The delegates have gone home, the flags are coming down, the slogans are being rewritten and life in the capital is returning to normal.

To me and to thousands of others it all seemed just like the Olympics again, only with snow on the ground: police everywhere, patrolling the pavements, standing around the main hotels, blocking streets and stopping as many private cars as they could catch to whip off the number plates on the slightest excuse and thus conveniently reduce traffic congestion. There were last-minute efforts to tidy up the city, lock up any remaining dissidents and brighten up the shops with a bit of glitter and some fresh consumer goods.

Black cars with government number plates roared all round the city carrying important people to important meetings, and then parked in long rows outside the Kremlin while their drivers lay back in their seats, pulled their fur hats down over their faces and snored for the best part of the day.

Tickets for the Bolshoi and for the theatres became almost impossible to obtain, even for ready money and the appropriate letter to the box office, as block bookings were made for the 5,000 delegates in town, not to mention their guides and escorts. Now the Bolshoi troupe can move back to its second home—the plush 6,000-seat glass and stone Palace of Congresses in the heart of the Kremlin—built by Khrushchev especially for these five-yearly jamborees.

Like the Olympics, the Congress was really a show for the media. They were all back in town—friends and colleagues from other papers, camera crews, producers and commentators. And we all got together again in the special Olympic press centre, a rather smart building equipped with batteries of Telexes and telephones, a good restaurant and, most important, a decent bar with polite, uniformed barmen and unlimited quantities of whisky.

There was also the daily briefing, and an extraordinary sense of *déja vu* when Mr Vladimir Popov, the suave and accomplished Olympic spokesman, joined others on the platform at the opening session. He now has a job as deputy head of Soviet television, and so was busy taking care of what the Russians call the "electronic media".

Newspaper journalists were briefed by Mr Leonid Zamyatin, the former head of Tass and now a close aide of Mr Brezhnev and official government spokesman. He is an influential figure in the Soviet Union, a combative hard-liner with decisive views on the functions of the press and a skilful knack of giving opaque answers to questions that go beyond the framework of what the Russians term "constructive journalism." He was not a littled miffed that an hour-long interview he granted to the American ABC television company was cut back to three minutes: the same would never happen here.

But in general the press coverage seems to have satisfied the Russians. They certainly kept the most detailed statistics, and it was much easier to find out everything about other journalists than anything about what the Congress delegates actually said. Altogether, Mr Zamyatin announced on the final day, 1,006 journalists from 60 countries were in Moscow to cover the event, including 230 from radio and television.

There were 10 press conferences, 21 meetings with Soviet and foreign delegates, and 200 interviews arranged with political figures, scientists and cosmonauts. Soviet television broadcast 100 hours of material on the Congress, picked up in part in 87 countries and viewed, Mr Zamyatin boasted, by 2,000m people. Mr Brezhnev's report was printed in 64 languages in a total edition of four million copies.

But though a media event, it was very different from American party conventions or British party conferences. You could not just wander in and button-hole a delegate or two as they were on their way to lunch, in fact you could not wander in at all, as the whole of the Kremlin was cordoned off and out of bounds to anyone not wearing the official Congress lapel badge. And even when the odd delegate made his way down to the press centre, you had to be escorted up to see him in special conference rooms on the upper floors.

One man who did come and talk to us was Mr Gordon McLennan, the secretary of the British Communist Party. A courteous, quiet-spoken Scot, he was rather well received in Moscow—he was the only so-called Eurocommunist to address the Congress and managed to mention disagreement on the dread subject of Afghanistan. He also gave a long interview on the main evening news bulletin.

He was rather distressed that Anglo-Soviet relations are so bad — "stagnating", in Mr Brezhnev's phrase — and thought Britain should at least send out a few officials here to get trade moving again. Last year showed a sharp fall in trade turnover, and Mr McLennan said British exports to the vast Soviet market would do a lot to help our dire economic situation.

No one let him into any secrets of Soviet policy while he was mingling with fellow delegates, at least not any that he was ready to reveal. "No, no, they don't talk to me about that sort of thing," he disclaimed modestly. He was resolutely optimistic that things would work out all right in Poland. And of course he was delighted with developments back home in the Labour Party.

Mr McLennan had appropriate words of praise for "Comrade Brezhnev"—appropriate, that is, by British standards, though given the galloping inflation in this commodity they fell well short of the standard achieved by others.

Mr Geidar Aliev, party secretary of Azerbaijan, contrived to mention Brezhnev 13 times in his speech. Among his honeyed phrases, he called the Soviet President a "worthy leader", a "true follower of the deeds of Lenin", a man whose great attractive force "inspires and mobilizes" Communists and workers. He said all people of good will throughout the world were saying: "Hearty thanks to you, dear Leonid Ilych, for peace and for your priceless achievement."

And in a particularly purple passage he declared: "By his mighty deeds for the wellbeing of the Soviet people, in the name of the creative Communist ideals, Leonid Ilych has won the love of all the nation and the highest authority in our country, universal recognition as a staunch leader of the Communist Party and Soviet state, a tireless champion of peace on the planet."

Similar sentiments peppered the speeches of almost every delegate for the next two days, who all commended the "exceptionally profound theoretical and political analysis" in Mr Brezhnev's speech, and whose praise for his accomplishments was invariably interrupted by "prolonged, stormy applause" as the official scribes recorded.

Then suddenly it all stopped. It appears that the torrent was deemed a little too effusive, even for this exalted occasion, and the word went down to cut it out.

For many of the delegates, whose careers are now assured after representing their distant provinces at the Congress, this was the first time they had even been to Moscow. And they were well looked after with tours and excursions, visits to factories and famous buildings. Foreign delegations were taken to see the Olympic village—now a plum residential area—art galleries, stud farms, fur breeding stations, physics institutes and the place where they still decorate lacquered wooden boxes with miniature paintings. They were suitably appreciative.

Tass meanwhile has been scurrying around the world gleaning words of praise for the Congress from the bourgeois press, rather as theatres pick out individual words from censorious reviews to use in their advertising.

And as the flow of documents begins to pour from the Soviet printing presses, Party officials up and down the country are poring over their new instructions. They have been set some herculean tasks. But it will be another five years before they have to go back and give an account of themselves. And meanwhile, a much more urgent priority is coming up. On Sunday it will be International Women's Day, a big Soviet holiday: time now to go to the market and haggle for some flowers and lay in a good stock of vodka. . . .

Michael Binyon

P.O. Box 7, 200 Gray's Inn Road, London WC1X 8EZ. Telephone: 01-837 1234

CHANCE FOR PEACE IN THE GULF

The Islamic nations have been trying to mediate between Iran and Iraq for the past six months, under the leadership of Mr Habib Chatti, General Secretary of the Islamic Conference. Their latest proposals include a ceasefire to begin next Thursday, followed by a withdrawal of Iraqi troops from Iranian territory a week later. This withdrawal would, under the Islamic plan, take a month to complete, and would be supervised by military observers drawn from member states of the Islamic Conference. The ICO would then establish a committee to adjudicate on matters of territorial dispute between the belligerents, first among these being the question of the Shatt al-Arab waterway, the *immediate casus belli.*

Will these suggestions prove even partially acceptable to both sides? There are some hopeful signs. *Iran* has always maintained that since Iraq is the aggressor, Iraqi troops must withdraw before negotiations *can begin. The Islamic* proposal meets this point, and indeed echoes ideas put forward recently in Tehran both by President Bani Sadr and by the acting head of the joint Chiefs of Staff, General Valiollah Fallahi. Mr Bani Sadr said *yesterday that the* withdrawal and ceasefire must be simultaneous, rather than sequential, but this need not be an *insuperable difficulty.*

Iraq may also be in a mood to come to terms. The six months of war have proved a drawn out affair, with bursts of bitter fighting alternating with a debilitating war of attrition along an extensive front line. Iraq has made only limited territorial gains, and has had to fight hard to hold on to them. Provided Iran is prepared to acknowledge what he calls "Iraq's rights", President Saddam Husain is apparently ready to talk peace, and could in theory withdraw with Iraqi honour reasonably intact. President *Husain can, after all, claim* to have dealt a blow against Iran on behalf of the Arab world, and to have dented what many Arabs see as the Ayatollah Khomeini's arrogant desire to spread his *gospel of fundamentalist* revolution throughout the Middle East.

The main obstacle to a peaceful solution of the conflict is the continuing opposition of hardline fundamentalists in Tehran, who retain a powerful hold over Iran's diffuse and often *mysterious* decision-making processes. The Islamic proposal offers Tehran *the chance of a moral victory*, if not a military one. The sensible course would therefore be for Iran to enable President Saddam *Husain to withdraw his troops* gracefully, by offering him the assurances he seeks concerning Iranian respect for Iraq's territorial *integrity* and the *impermissibility* of force as a means of resolving disagreements.

It is perhaps unfortunate that *the Islamic nation should have* given the two sides barely a week in which to consider their formula. Equally, the time limit imposed may have the effect of concentrating the minds of leaders on both sides. Timing is indeed all important, since the war *may well* be about to emerge from its present lull. The arrival of spring and the end of the rainy season will soon bring with *them conditions more* suitable for fighting, and the tanks which *have* been bogged down in the winter muds will start to move again. A renewed trial of strength would be to the advantage of Iraq, which has been building up its military supplies from a variety of sources. If this chance for peace is missed it could be some time before another arises.

DENIAL OF THE RIGHT TO REPLY

A toothless watchdog, if ignored, has no recourse but to bark again more loudly. If the individual who *provoked the outburst* takes no notice, at least others may. The Press Council has no sanction to bring against those it censures but public disapproval, and it can only enlist that to the extent that its own adjudications command respect. On the whole they have commanded respect, and the influence of its rulings upon general ideas of good and bad practice in the press over the past twenty-eight years has been considerable. Papers that fall under its censure often dispute the justice of its findings in their particular case, but they generally acknowledge that the charge deserves an answer, and seek to turn it aside by appeals to values that the Press Council itself has proclaimed.

Today the council finds it necessary to bark for a second time over two complaints against the *New Statesman*. The magazine gave the council only minimal cooperation in its investigations and failed to print its findings that the complainants had been unfairly denied the opportunity to reply. Last August *the magazine Now! also refused* to reply to the council over a complaint that its editor thought should have been pursued, if at all, *through the courts (an option* that the complainant had disclaimed). The council rightly decided in both instances that these failures to cooperate should not be allowed to prevent an inquiry and, having been able to satisfy itself that there was substance in the complaints, it censured the magazines.

The *New Statesman's* refusal to publish the adjudication was as serious an error as its *refusal* to cooperate with the original investigation. The allegations that had been made, against members of the Civil Service Union in one case and a Czech journalist in the other, were grave enough to create a strong case for a right of reply however confident the magazine was that they were true. The process of uncovering truth often involves the *printing* of errors in good faith, and a responsible journal should always give complainants the benefit of the doubt.

The judgment whether to print or not stands within the range of editorial discretion. The editor is reported to have said that he could not submit his magazine to the council's jurisdiction. Such terms misrepresent the situation. The council is not a court, nor a body possessing disciplinary sanctions—though its existence helps to disarm illiberal voices from both right and left which would favour such restraints upon the press. However unsatisfactory it may appear, no alternative system has been proposed that could command equally wide respect. No official tyranny compels editors to come before it, only the desire that it should be publicly seen that rivals in controversy have been given a fair hearing. In refusing to acknowledge its role, the *New Statesman* is flouting not the Press Council but the essential principles on which a free press must be conducted.

ON THEIR HEADS BE IT

Decay of the institution of Parliament is such a favourite theme of national self-reproach that it came as no surprise to learn that the fabric of the building which houses it is crumbling. According to a Com*mons select committee reporting* last year chunks of masonry may fall on the heads of the occupants as they go in and out. To avert that *fitting calamity* a parliamentary Under-Secretary of State for the Enviroment, Mr Geoffrey Finsberg, earmarked £10,000 for the instant "removal of potentially dangerous coping stones and string courses" and a further £105,000 for making sound the stonework above doorways. Seemingly it was not enough. Another rockfall near the members' entrance this week brought Mr Finsberg to the Dispatch Box again to report progress on his patching operations.

Much of the Anston stone, a *magnesian limestone from* Yorkshire which was used for the façades when the Houses of Parliament were rebuilt after the fire of 1834, was flawed by *minute fissures* formed during geological time. Their crystalline filling is dissolved rapidly by atmospheric pollutants. Fractures then appear. Repairs have *had to be done* more or less continuously, with an extensive refacing in the late 1920s using more durable Clipsham stone. Even this is now suffering from contact with the magnesian limestone. The decay, partly due to flawed material and partly to dirt and chemicals deposited from the air, proceeds apace.

It was the view of the select committee that what is needed is a conservation and cleaning job all over at an *estimated* cost of £5m—more, even correcting for inflation, than when the Commons was first *notified of the problem* eight years ago. Since the extent of the decay had not been fully established, less accessible parts *of the* building having been examined only from the pavement with the aid of binoculars, the committee recommended that a thorough investigation be carried out. There is not the *slightest chance of prising* £5m from the Treasury without one. The *Government*, careless of the risk of accidental by-elections, is still revolving its reply.

Ministers ought to brace themselves to meet that cost within the lifetime of this Parliament. *Barry's and Pugin's great classical* pile in gothic dress is more than a fine building and one of the *glories* of nineteenth-century English architecture. It is the seat of the central political process of the nation and has become the most familiar visual *symbol of it. If the present* occupants cannot look after the fabric of their own premises properly, how are they to be *entrusted* with the fabric of the state? The Dean and Chapter across the street do better with their charge, and without the public revenues at their command.

Social Democrat policies

From Mr Richard Rowntree

Sir, As a long standing Liberal who has long felt himself to be a Social Democrat, I found much to welcome in your leader of February 28. Its conclusion, however, seemed strangely inadequate in terms of the reality of the electoral challenge facing a Liberal-Social Democrat alliance. Of course electoral reform and a diminution of adversary politics are fundamental requirements for recovery of the country's *political health*, but by no stretch of imagination can they be regarded as the main planks on which an alternative government would be elected.

It is perhaps especially important for Liberals to recognize that the best opportunity within our life time to break the sterile monopoly of political power *as exercised* in the Conservative-Labour confrontation lies in the electoral prospects of the Social Democrats in the Labour heartlands. It is precisely there that the more esoteric policies rightly shared by the Liberals and Social Democrats will count for little against the necessarily overwhelming priorities of employment and the cost of living. How fortunate then that the Liberals and Social Democrats share a firm *commitment to the* establishment of a workable incomes policy, which is the prerequisite of any effective programme for increasing employment without higher inflation and wider differentials in living standards.

The shared flight of the Conservative and Labour parties from the *formulation of a workable incomes* policy represents the worst symptom of the postwar "British disease"—because an objective is found to be difficult it is abandoned. An incomes policy can and should be a popular electoral commitment now that the gravity of the present crisis is generally *recognized. With this growing* national mood of realism, which in all justice is partly due to the Prime Minister's exhortations as *distinct from her policies*, people are looking for fairness as the condition for effort and sacrifice.

In looking to bring together trade unionists, employers and management *to help resolve* the many problems inherent in an incomes policy, the new alliance must avoid the pitfall of laying the blame for unemployment just on Conservative and Labour *policies* or even the explosive oil price increases leading to world recession. For while all these have undoubtedly contributed to the problem, we are in truth a guilty generation that for far too long has refused to face the certain knowledge that our technological advances would *inevitably* require new attitudes and structures to meet the social challenge they present.

What quickens the political pulse with greater hope than for many a long day is the belief that the real courage shown by the Social Democrat leaders, most of whom are placing at risk highly *promising* political careers as well as making deeply painful breaks in personal and party relationships, will serve as *an effective* catalyst for the reshaping of our body politic as first advocated by Mr Grimond and more recently so effectively advanced by Mr Steel.

Yours faithfully,
RICHARD S. ROWNTREE,
Kingthorpe,
Pickering,
North Yorkshire.

From Dr W. Graham-Brown

Sir, In his letter concerning the prospects for the Social Democrats, Mr David Winnick (March 4) uses the familiar Catch 22 paradox to remove decision-taking from Parliament *and to place it with party* organizations. He recommends that an MP who finds that he can no longer sustain his party's viewpoint should, in all decency, resign from Parliament and submit himself to a by-election.

And yet, in the same letter, Mr Winnick makes it clear that, in such a by-election and without party backing, the unfortunate MP is likely to receive "a derisory vote" and not be elected! Thus, in prac*tice*, an MP who dissents *from* his party line could make no effective Parliamentary protest: he must "stay and put up" or "get out".

Of course, this paradox is unacceptable. It provides yet another example, if such were needed, of the manner whereby anti-democratic forces work in our society. An MP is not mandated to follow a party line but is a delegate and as such must be capable of independent thought and action. Accordingly, on occasion he may go against the *expressed views of his electorate.*

It is only through a clear understanding of this basic principle and through appropriate action by courageous *delegates* that *we* can hope to end our party dogma dominated adversary system of government, and to create instead a governing body where reason can prevail.

Yours faithfully,
Wm. GRAHAM-BROWN,
Morghew Park House,
Tenterden, Kent.

From Mr Geoff Holgate

Sir, Candidates in general elections receive votes on a party political basis not, at any rate to any appreciable extent, for their personal qualities.

Would it not be an act of political principle more in accordance with the expressed philosophy of those members of the Council for Social *Democracy who have* now left the Labour Party if they resigned their seats and thus gave the electorate an opportunity to express their opinions on their actions through the ballot paper in the subsequent by-elections?

Yours sincerely,
GEOFF HOLGATE,
2 Green Clyfe Drive,
Clifton, York.

LETTERS TO THE EDITOR

New thinking in peace movement

From Mr E. P. Thompson

Sir, Your reasoned argument, "No safety in instability" (leader, March 3), allows, for the first time, that there is merit in the unilateralist case. But it can be faulted on two grounds.

First, while stressing the dangers of Soviet military pressures, you grossly understate the dangers in current United States strategies: as, for example, the contingency plans for "theatre" nuclear warfare in Europe, and the theories of "pre-emptive deterrence" in pursuit of sources of oil and scarce "strategic" minerals. Mrs Thatcher *appeared to be signalling in Washington* last week that Britain is a totally uncritical and inert client, no matter what hare-brained strategies Mr Reagan's advisers pursue.

Second, your argument misrepresents the position of the European Nuclear Disarmament movement, which is now influential in many parts of the continent. This position cannot be reduced to the simplicities of a unilateralist versus multilateralist debate. The objective is a nuclear-weapons-free Europe, and the means include the pressure of political movements—and alliances of both persons and parties—pressing continually to effect lateral communication across the East-West divide, and to elicit equivalent responses among the Warsaw powers.

This is a rolling campaign, which can *only* be executed piecemeal and over time. No one supposes some instant success (on Thursday, February 3, 1982) when, by some miracle, all Nato powers (except the United States) will have disarmed, and all Warsaw powers will not. On the contrary. Reciprocity is of the essence of the movement, and, without it, we can be sure that the movement will fail. For example: if European Nato states, under popular pressure, should reject cruise missiles and Pershing *IIs—and if the Soviet Union did* not, instantly, halt and then reduce its deployment of SS-20s, we can be sure that Western unilateralist movements would at *once* lose their popular support.

Another example: a nuclear-weapons-free space might be created in Europe, not instantly, but by adding one smaller zone to another. Already proposals for a Nordic zone (as under Article 33 of the Final Document of UN Special Session on Disarmament) are being actively *canvassed. It is possible that such* a zone might also eliminate "theatre" missiles from the Soviet Kola peninsula. Similar proposals are being canvassed in Greece and Yugoslavia. From this point it is possible to envisage some revived variant of the Rapacki Plan, by which Poland and both Germanys might be, step by step, demilitarized.

What distinguishes the new thinking in European peace movements is this. First, we are pressing our own governments to move out from *under the superpower* deadlock and engage in direct initiatives (initial measures of disarmament) *and* negotiations. The position now is absurd. Even for negotiations to start on European "theatre" weapons (a matter which could scarcely concern Europeans more) we must wait upon the whims of *the US administration—an* administration which, after seven years of negotiation, has torn Salt II up. And, even then, there will be no European seat at the table. If we wish to get anything done, then our statesmen must go to Warsaw, Budapest and Moscow, not to Washington.

Second, we see the only possible hope of avoiding a terminal nuclear collision in a strategy which begins to break down the hard edges of *both* blocks, and which begins to mend the tissues of Eastern and Western Europe once more. We wish to bring the peace movements of the West and the movements making for democracy and civil rights in the East into a common alliance—or, at least, a mutual understanding. In our view, the old Stalinist rearguard today is being propped up by Western missiles: *it is the menace of "the West"* which strengthens militarism in the East, which legitimates the old authorities, and which prevents difficult social transitions from *being made—or which, as in Poland* today, limits the space for such transitions. Hence the END appeal insisted, from the first, that more open communication and exchange between persons and movements in East and West is a necessary condition of our work.

No one supposes that any of this could be easy. Nor that it could be without risk. It is a barely possible strategy and there will be risk all the way. But those who have taken a steady view of the risks inherent *in our present predicament—and* who have weighed the sombre arguments of Sir Martin Ryle's recent booklet—consider that it is the only risk which still carries human hope: and that it is worth throwing all that is affirmative in European culture into that effort. The effort is not one of "unilateralism" in the sense that you suppose—one nation opting out. It is one of "multilateral unilateralism"—a rolling campaign of reciprocal initiatives by one nation and then *another, accompanied by popular* movements, personal exchanges, and direct diplomacy. And I think that END and CND (which has been actively associated with us from *our initial appeal*) share this common perspective.

Yours, etc,
E. P. THOMPSON,
European Nuclear Disarmament,
6 Endsleigh Street, WC1.

Civil servants' sense of grievance

From Mrs J. Taylor

Sir, It is significant that the letters you print today (March 3) condemning the backing by the First *Division Association of the Civil* Service unions' campaign regarding pay are from retired members.

Conditions in the Civil Service are not what they were—there is greater pressure of work, greater frustration, inevitable comparisons with far more generous payments to civil servants in other countries. Members of the FDA no longer have the high standard of living they once had and the much-vaunted benefit of index-linked pensions is allowed for in calculation of salaries and will not exist once inflation is controlled.

We still have the finest Civil Service in the world bar none and *the one thing we cannot afford in* these increasingly complex times is a lowering of standards. Yet Mrs Thatcher has introduced none of the promised bright young industrialists *into the higher echelons* of the Civil Service—the bright ones wouldn't play!

The FDA knows that, if quality is to be maintained, "there is a *limit at which forbearance ceases* to be a virtue". Mrs Thatcher should be reminded that Edmund Burke also said: "Magnanimity in politics is not seldom the truest wisdom: and a great empire and little minds go ill together".

Yours faithfully,
J. TAYLOR,
7 Birdhurst Gardens,
South Croydon,
Surrey.
March 3.

From Mr D. Bailey

Sir, I am increasingly amazed by your letters column on the present pay campaign. The letter from Mr Hetherington (March 3) is surely the ultimate in self indulgence.

Mr Hetherington writes of the "appalling disgrace" and of "mutiny" in the Civil Service as a more accurate description than "industrial action". He no doubt privately believes that those who strike should therefore be shot!

The general tone of letters from retired civil servants is one of longing for the days past of unflagging loyalty and service. I suggest with respect that in reality the loyalty which they knew was paid for. In the 1920s and 1930s and into the post war period civil servants were paid at a rate above the national average wage. The lower ranks were then in the privileged position of holding a "£5 per week job". We now have a situation in which two thirds of civil servants earn less than the average wage, and both the present government and its predecessor have accelerated the decline. It is conveniently pointed out that civil servants have had sub*stantial pay increases in the past* two years. What is not explained is why this is so. It means that an exercise based upon fair comparisons, which incidentally means that our pay is increased by reference to the *average* increase which the private sector have already enjoyed for 12 months (note, not the best), has clearly demonstrated that var*ious government incomes policies*, social contracts, etc, have only applied to the public sector. If that were not the case the fair comparisons exercise would have shown no increase due.

None of your correspondents has suggested a better way of settling Civil Service pay than by compara*bility. I might say that many* of us in the Civil Service unions believe that the system is inadequate since it clearly benefits and has benefited the higher grades, hence the present claim for 15 per cent with a £10 per week minimum underpinning.

If it is seriously being suggested that civil servants should be expected, in that capacity, and out of loyalty and dedication to accept annually the amount the government of the day deems fit to pay, then we really do live in different *worlds.*

It is our responsibility as Civil Service trade unionists to defend our members against unfair treatment and the arbitary breaking of *agreements. Such treatment does* not earn loyalty, and it ill becomes retired members of the First Division Association in whose era the popular image of the relatively *overpaid, bowler hatted and pin* striped civil servant was substantially correct, to expect the modern civil servant to be anything but outraged at the treatment we are receiving. It is quite clear to us all that if this government or any other can tear up our pay agreement and get away with it, then no other agreement is worth the paper it is written on.

That is why we are striking.

Yours faithfully,
D. BAILEY,
19 *Cecil* Road,
Leicester.
March 4.

From Mr J. C. P. Riddy

Sir, I wonder if I am alone in noting with rapidly increasing surprise and indignation the flood of special pleading entered in your columns *by civil servants* and *their agents* on the theme of their 15 per cent pay claim and the machinery by which their pay is increased year by year?

I would find this articulate public relations exercise a little more palatable if a token comment had escaped these well-educated lips to acknowledge the fact that circumstances have changed very much for the worse since the systems they wish to preserve were invented; and that in the eyes of this humble *mortal*—and *many others to whom* I speak—it is as much civil servants as politicians who must carry the responsibility for the decayed situation in which our economy and our society find themselves.

Until the economy is in better shape civil servants do not deserve a rise of this greedy dimension, especially when set against the general weatherproofing protecting civil servants' conditions of service and pensions.

Yours faithfully,
J. C. P. RIDDY,
"Garth",
Fortingall,
Aberfeldy.
March 4.

The UN and Swapo

From the South West Africa People's Organisation Chief Representative for Western Europe

Sir, Swapo of Namibia believes that your news story *"UN ban strengthens Pretoria bias claim"* (March 4) avoids the real issues at the root of the United Nations' argument with South Africa over the implementation of the United Nations plan for elections in Namibia (Resolution 435, 1978). Given the current media fascination with South Africa's ridiculous claims against the United Nations, we wish to put the question of "partiality" into perspective.

To begin with, in terms of Sec*urity Council Resolution 435* (1978), South Africa would in fact run the elections, with the United Nations taking on a role of monitoring and controlling them. The "control" exercised *would amount* to the United Nations Secretary General's Special Representative having to satisfy himself that South Africa's running of the elections is in fact *fair.* What serious newspapers really ought to turn their attention to is South Africa's own very evident partiality and, therefore, whether the regime can be trusted to run a free and fair election in Namibia.

Little attention has been drawn to the fact that South Africa pours vast sums of money into the coffers of her client party, to the six figure sums that are spent on the running of each of this party's PR offices in London, Paris, Bonn and Washington, and that the outlay on media coverage and promotion trips abroad for its members is enormous. The backing Swapo gets from the United Nations (which would cease with an election campaign) looks like petty cash beside Pretoria's expenditure on its political campaign in Namibia and the funds that will be forthcoming for South Africa's client party during any elections there.

Finally, it ought not to be forgotten that South Africa is clearly in illegal occupation of Namibia. Who is the South African government to call into question the ability of the United Nations, as Namibia's legitimate authority, to fairly monitor and control an election?

Yours,
SHAPUA KAUKUNGHA,
South West Africa People's Organisation,
183 North Gower Street, NW1.
March 4.

Reporting black unrest

From the Vicar of Lewisham

Sir, The article by Lucy Hodges on the march from Deptford to Central London (March 4) was refreshing in comparison with the coverage of other papers for its balanced and fair presentation.

The impression given by the sensationalist press is that black young people are anarchic and violent. The violence that occurred last Monday is to be deplored, whoever provoked it, and can do nothing to help better community relations.

The open youth centre attached to this parish, which has a membership of around 250 the majority of whom are black and about 60 per *cent of whom are unemployed*, ran a special disco to help the families who were bereaved and it raised £163 the week after the fire.

This gesture, small compared with the enormity of the loss suffered by the families concerned, shows another aspect of the life of the young black people of Lewisham. This good news is worthy of publicity.

Yours faithfully,
DAVID GARLICK,
Lewisham Vicarage,
48 Lewisham Park, SE13.
March 4.

Press curb proposal

From the Editor of The Star

Sir, The advocacy by Sir David Napley, former President of the Law Society (*The Times*, March 2) of a system under which journalists who "misbehaved" could be suspended from their job should not go unchallenged (as indeed it did not by those, including myself, who *shared his platform* before an audience of journalists and lawyers).

Any such system, of licensing the right to lawful inquiry and lawful free expression, would be ill-founded and dangerous.

The journalist neither has nor claims any rights beyond the citizen's. He is a citizen with a pen and a printing machine. To circumscribe his rights is to diminish the citizen's.

Alternatively, to discriminate between what the journalist and the citizen may each lawfully do and say is not only intolerable but presents *interesting problems* of definition.

Further, many complaints to the Press Council concern matters of *taste* (our perceptions of which change constantly); should a journalist forfeit rights enjoyed by his fellow citizens merely for offending good taste?

Yours sincerely,
DAVID FLYNN,
The Star,
York Street,
Sheffield.
March 3.

Debt to Faroes fishermen

From Mr Sten Balle

Sir, Mr Michael Hornsby's report of February 17 on Britain's firm refusal to approve a new fisheries agreement between the EEC and the Faroe Islands wistfully led back my memory to the following lines by Mr George Orwell, contained in a book review in *The Observer*, February 29, 1948: "The Faroes were our most reliable source of fish throughout the war, and at one time were responsible for three-quarters of the *British* supply. All through the dark days of 1940 and 1941 the tiny Faroes boats plied to and fro, their sole armament one Bren gun each. They were bombed, machine-*gunned*, blown up by mines and even torpedoed."

Things have been very much on the move, since these lines were set down in a *spirit* of sympathy. The firm attitude, which Britain has now found it necessary to take, is blocking the admission of Faroese fishing vessels to the Greenland waters and the North Sea.

The vulnerable island community in the North Atlantic is brought to face nothing less than a catastrophe, utterly dependent as it is on fisheries, including those in distant waters, as the minimum need of the islands cannot be covered by the resources of the home waters alone.

Yours truly,
STEN BALLE,
Dr. Dahlsgöta 11,
3800 Tórshavn,
The Faroe Islands.
February 21.

Heritage in danger

From the President of the Museums Association

Sir, The Museums Association would add its protest to those already *expressed* (*letters February 17, 26* and March 3) at HM Government's decision to withdraw from the International Centre for the Study and Restoration of Cultural Property (ICCROM). British participation in the work of the centre has been of great importance and has added significantly to our prestige *in the field of the restoration of cultural property.*

The cancellation of our contribution to the centre will in the long term be more damaging in international terms than the minor economy in government expenditure warrants. At a time when British museums are promoting exchanges and technical assistance to museums over*seas it is incongruous that Government* actions at international level appear to be in conflict.

We hope it is not too late for the Government to consult its representatives in this field and reconsider its decision.

Yours faithfully,
GEOFFREY LEWIS,
The Museums Association,
34 Bloomsbury Way, WC1.
March 3.

Drawback of CAP

From Mr John Beath

Sir, Mr Richard Butler (*The Times*, March 3) suggests criticism of the CAP (Common Agricultural Policy) is a dangerous pastime. His arguments in its defence, however, themselves involve misunderstanding.

The particular method that the EEC uses to support farm incomes involves losses to consumers through high prices and reduced consumption that may only be partially offset by gains to farmers and substantial budgetary costs in the form of intervention purchases and export restitution. Such policies benefit those countries which are self-sufficient in agricultural products. For the UK this is not the case and so we, along with Germany and Italy, are substantial losers under the policy.

The impression is given that employment in agriculture-related industries is heavily dependent on a large agricultural sector. This is false. There are two such classes of industry: those that serve the needs of agriculture, and those that pro*cess agricultural products. The former*, which account for 0.6 per cent of total UK employment (agriculture and horticulture account for 1.5 per cent), depend upon a prosperous rather than a numerically large agricultural industry. Employment in the latter depends only upon the consumption demands of *the general public* and it will process agricultural raw materials irrespective of their origin.

Relatively high world prices allow the EEC to dispose of accumulated surpluses from earlier years. This may be true currently but *agricultural prices do fluctuate* and it is as well to remember that on the whole they have lain well below EEC prices so that excessive (to current demand) supplies have been produced in the community.

Lastly, no one would deny that the poor should be helped and that some agriculturalists may fall into *this category. However*, shouldn't policy help only the unfortunate—or are all farmers unfortunate? What critics of the CAP would argue is that, of all the possible policies one could think of to provide income maintenance, it would be just about the most inefficient of all.

Yours faithfully,
JOHN BEATH,
Department of Economics,
University of Bristol,
Alfred Marshall Building,
40 Berkeley Square,
Bristol.
March 3.

Airliner fire hazards

From Professor Gerald Hendrie

Sir, Two matters of concern are raised in connection with alcohol, fire, and airline disasters (Mrs Hall's letter, February 26).

It is surely absurd in a resource and energy conscious world to transport thousands of bottles of whisky to the far side of the world in order to fly them back again duty-free with the attendant fire risk, which, it seems, is causing legitimate concern to pilots. If the duty-free anomaly is to continue, surely vouchers could be substituted for the goods themselves?

And while on the subject of fire risk, I have found few more alarming sights than, at dead of night on some long oceanic journey, the sight of a hundred or two cigarette tips glowing through the smoky haze of a dimly-lit cabin. Many such passengers must be on the verge of falling asleep. Why there are *not more cabin fires on board* jetliners is a source of surprise to me.

Yours sincerely,
GERALD HENDRIE,
19 Madingley Road,
Cambridge.

Conundra

From Mr C. H. Jaques

Sir, The *letter from Mr Wilson* Longden (March 4) reminds me that the late Sir John Masterman once reported that a would-be entrant for Worcester College had, in an essay, described a certain book as "...one of the essential *vade meca* for anyone studying this subject."

Yours faithfully,
C. H. JAQUES,
2 Lullington Close,
Seaford,
East Sussex.
March 4.

COURT CIRCULAR

BUCKINGHAM PALACE
March 5: Sir John Taylor was received in audience by The Queen this morning and kissed hands upon his appointment as Her Majesty's Ambassador Extraordinary and Plenipotentiary at Bonn.

Lady Taylor had the honour of being received by The Queen.

His Excellency Monsieur Cyprien Mbonimpa was received in audience by Her Majesty and presented the Letters of Recall of his predecessor and his own Letters of Credence as Ambassador Extraordinary and Plenipotentiary from the Republic of Burundi to the Court of St James's.

His Excellency was accompanied by the following member of the Embassy, who had the honour of being presented to The Queen: Monsieur Vincent Ndikumasabo (Second Secretary).

Madame Mbonimpa had the honour of being received by Her Majesty.

Mr Derek Day (Deputy Under-Secretary of State for Foreign and Commonwealth Affairs) who had the honour of being received by The Queen, was present and the Gentlemen of the Household in Waiting were in attendance.

Air Chief Marshal Sir Peter Terry had the honour of being received by Her Majesty upon relinquishing his appointment as Commander-in-Chief Royal Air Force Germany.

Lieutenant-Colonel Peter Clifton had the honour of being received by The Queen and delivered up his Stick of Office upon relinquishing his appointment as Standard Bearer, Her Majesty's Body Guard of the Honourable Corps of Gentlemen-at-Arms.

Major Derek Allhusen had the honour of being received by The Queen upon his appointment as Standard Bearer, Her Majesty's Body Guard of the Honourable Corps of Gentlemen-at-Arms and received from The Queen his Stick of Office.

Her Majesty this evening attended a Reception given by the Chief Constables' Club (President, Sir Peter Matthews) at Guildhall where the Queen was received upon arrival by the Right Hon the Lord Mayor (Colonel Sir Ronald Gardner-Thorpe).

The Lady Susan Hussey, Mr Robert Fellowes and Lieutenant-Colonel Blair Stewart-Wilson were in attendance.

The Duke of Edinburgh, President of the Royal Bath and West and Southern Counties Society, today presided at the Society's Council Meeting at the Society's Showground, Shepton Mallet, where His Royal Highness was received by Her Majesty's Lord-Lieutenant for Somerset (Lieutenant-Colonel G. W. F. Luttrell).

The Duke of Edinburgh travelled in an aircraft of The Queen's Flight.

His Royal Highness, as an Honorary Fellow of the Medical Society of London, this evening attended the Annual Dinner in the Great Hall at St Bartholomew's Hospital and was received by the President of the Society (Surgeon Vice-Admiral Sir James Watt).

Lord Rupert Nevill was in attendance.

The Prince of Wales, Duke of Cornwall, continued his visit to Duchy property in Devon and Somerset today.

His Royal Highness, attended by Major John Winter, travelled in the Royal Train.

The Queen was represented by Major Bruce Shand (Vice Lord-Lieutenant for East Sussex) at the Funeral of Lieutenant-General Sir William Oliver (formerly High Commissioner in Canberra) which was held at All Saint's Church, Crowborough, East Sussex this morning.

KENSINGTON PALACE
March 5: The Duke of Gloucester this morning presided at a Seminar of the British Consultants Bureau which was addressed by The Rt Hon Edward Heath, at the Institution of Civil Engineers, London.

Lieutenant-Colonel Simon Bland was in attendance.

Birthdays today

Mr William Davis, 48; Sir Archibald Forbes, 78; Sir Robert Fowler, 67; Professor Sir Charles Frank, 70; Mr Frankie Howerd, 59; Mr Lorin Maazel, 51; Lord Roberthall, 80; Sir Ian Dixon Scott, 72; the Right Rev David Sheppard, 52; the Hon Samuel Silkin, QC, MP, 63; Sir Peter Stallard, 66; Sir Oliver Wright, 60.

£10,000 bond winners

The winning numbers in the March Premium Savings Bond draw for prizes of £10,000 are: 9AP 462966 (winner lives in Cheshire), 1GZ 105400 (Nottingham), 11PS 839002 (Wolverhampton), 12YT 350607 (Nottingham), 17ZT 130210 (overseas).

Forthcoming marriages

Captain the Hon R. E. H. Law and the Hon Grania Boardman
The engagement is announced between Captain the Hon Rupert Law, Coldstream Guards, eldest son of Lord and Lady Ellenborough, of Springhill House, Groombridge, Sussex, and Grania, daughter of Lord and Lady Boardman, of The Manor House, Welford, Northamptonshire.

Dr A. T. Coady and Miss J. M. Brown
The engagement is announced of Andrew, son of Mr and Mrs T. D. V. Coady, of Leamington Spa, and Jennifer, daughter of Mr and Mrs C. M. Brown, of Hatfield Heath, Hertfordshire.

Mr A. D. Jamieson and Miss L. A. Clarke
The engagement is announced between Andrew David, son of Major David Jamieson, VC, and the late Mrs Jamieson, of Drove House, Thornham, Norfolk, and Linda Anne, elder daughter of Mr and Mrs David Clarke, of Erpingham Lodge, Ingworth, Norfolk.

Mr B. J. Wall and Miss C. Carden
The engagement is announced between Brendan, eldest son of Mr and Mrs J. Wall, of Chesterfield, Derbyshire, and Colette, only daughter of Mr and Mrs N. J. Carden, of Little Neston, Cheshire.

Mr J. C. Waters and Mrs D. C. Willers
The engagement is announced between John, son of Mr and Mrs H. C. Waters, of Cooden, Sussex, and Diane, daughter of Mr and Mrs P. L. Dobrashian, of Cambridge.

Herr P. K. Wegner and Miss A. T. Haines
The engagement is announced between Klaus Wegner, of Cologne, second son of Herr Friedrich Wegner and the late Frau Wegner, and Anne Taft, second daughter of Mr and Mrs J. F. H. Haines, of Hampshire.

Colonel R. H. Wheatley and Miss M. A. Newsom
The engagement is announced and the marriage will take place in September between Rupert Wheatley, of Bratton, Wiltshire, and Margaret Newsom, of Littleton Panell, Wiltshire.

Mr K. W. Brewster and Miss S. M. Tyson
The engagement is announced between Keith, son of Mr and Mrs Gordon Brewster, of Burnside, Underskiddaw, Keswick, and Susan, daughter of Dr and Mrs W. J. Tyson, of Millbeck Place, Millbeck, Keswick, Cumbria.

Mr J. H. N. Horne and Miss A. M. Heaney
The engagement is announced between James, elder son of Mr and Mrs J. N. Horne, of Worham Mill House, Betchworth, Surrey, and Alison, daughter of Mr and Mrs J. B. Heaney, of Oldhouse Farm, Wakes Colne, Essex.

Mr T. Morrison and Miss J. S. Franklin
The forthcoming marriage is announced between Timothy, son of Lieutenant-Colonel and Mrs D. E. B. Morrison, of Tarrant Keyneston, Dorset, and Jenny, daughter of Mr and Mrs M. D. M. Franklin, of Barnet, Hertfordshire.

Mr C. E. Nettlefold and Miss H. M. Roper
The engagement is announced between Charles, elder son of Mr and Mrs Michael Nettlefold, of Abbey House, Milton Lilbourne, Pewsey, Wiltshire, and Henrietta, younger daughter of Mr John Roper, of Paganico, Grossetto, Italy, and the late Mrs Valerie Roper.

Mr M. J. P. R. Symes and Miss F. J. O. Massey
The engagement is announced between Matthew, elder son of Mr and Mrs W. J. P. S. Symes, of Nairobi, Kenya, and Fiona, elder daughter of Dr and Mrs P. M. O. Massey, of Handsworth Wood, Birmingham.

Marriages

Mr R. von Eisenhart Rothe and Mrs B. Emborg Sund
The marriage took place in London on March 2 between Mr Rüdiger von Eisenhart Rothe, of 7 Kensington Gate, W8, and Mrs Britta Emborg Sund, of 40 Cadogan Place, SW1.

Mr J. P. Hudson and Princess Anna Obolensky
The marriage took place on February 26 at the Russian Orthodox Cathedral of All Saints, London, between *Mr Jonathan Hudson and Princess Anna Obolensky.*

Luncheons

HM Government
Lord Carrington, Secretary of State for Foreign and Commonwealth Affairs, was host at a luncheon held at Lancaster House yesterday in honour of the Guatemalan Foreign Minister, Ing Castillo Valdez, and the Premier of Belize, Mr George Price.

HM Government
Mr Richard Luce, Parliamentary Under-Secretary for Foreign and Commonwealth Affairs, was host at a luncheon held at the House of Commons yesterday in honour of the Finnish Foreign Minister.

Royal College of Veterinary Surgeons
Professor J. O. L. King, president of the Royal College of Veterinary Surgeons, assisted by officers of the college, was host at a luncheon at 32 Belgrave Square yesterday. The guests were:
General Sir Cecil Blacker, Professor R. J. Harrison, Mr D. D. Hindley-Smith, the Hon Douglas Hogg, MP, Sir Bryan Jefferson, Mr Neil Macfarlane, MP, Professor J. A. F. Rook, Mr R. D. Smart, Mr John Stradling Thomas, MP, and Mr R. G. Wilkes.

Butchers' Company
Mr David Cornell, Master of the Butchers' Company, presided at a court luncheon at Butchers' Hall yesterday. Mr Colin Cullimore and Mr Alec Forshaw also spoke. The guests included Mr Theo Bergström and Mr John St John.

Anglo Jordanian Society
The Anglo Jordanian Society held their first annual dinner at the Savoy Hotel yesterday. The Jordan Ambassador, president, and Mrs Izziddin received the guests and Sir Frederic Bennett, MP, chairman, presided. Among those present were:
Lord and Lady Caradon, Lord and Lady Caccia and Sir Stephen and Lady Miller.

Royal Cruising Club
The annual dinner of the Royal Cruising Club was held at the Porter Tun Room, yesterday. The Commodore, Mr Jonathan Trafford, presided and Mrs Trafford presented the club's awards and medals for its centenary season. Among those present were:
Sir William Pillar, Commodore, Royal Naval Sailing Association, and Lady Pillar, Major-General W. Woods, Commodore, Royal Lymington Yacht Club, and Mrs Woods and Major John Lewish, Commodore, Royal Fowey Yacht Club, and Mrs Lewis.

County Planning Officers' Society
The president of the County Planning Officers' Society, Mr R. Cooper Kenyon, presided at the annual dinner held at the Law Society's Hall yesterday. Mr E. F. James, Mr J. T. Ireland and Mr J. Barrow also spoke.

Dinners

Speaker
The Speaker gave a dinner in Speaker's House yesterday in honour of the Bishop of London and Mrs Ellison. Other guests were:
The Archbishop of Canterbury and Mrs Runcie, the Right Rev Lord and Lady Coggan, Archbishop Bruno Heim (Apostolic Delegate), the Rev Dr Kenneth Greet (President of the Methodist Conference), and Mrs Greet, the Dean of St Paul's and Mrs Webster, the Dean of Christ Church, Oxford, and Mrs Heaton, the Rev Dr Ronald and Mrs Gibbins, Mr Yitzhak Berman (Speaker of the Knesset), Mr Salomon Tandeng Muna (President of the National Assembly of Cameroon), Mr Soualibou Hayatou (Chargé d'Affaires of Cameroon), Lord and Lady Murton of Lindisfarne, Mr Norman St John-Stevas, MP, Mr and Mrs Eric Anderson, Mr Darley Anderson, Dr A. H. Cooke, Mr Jonathan Ellison, Mr and Mrs Jonathan Jameson and Mr and Mrs Michael Stoner.

Medical Society of London
The Duke of Edinburgh was present at an anniversary dinner of the Medical Society of London held at St Bartholomew's Hospital last night. Surgeon Vice-Admiral Sir James Watt, president of the society, was in the chair. The guests included:
Lord and Lady Richardson, Sir Douglas and Lady Black, Sir Alan and Lady Parks, Sir Anthony and Lady Alment, Sir John Stallworthy, Professor Sir John and Lady Walton, Dr and Mrs K. J. Zilkha, Dr and Mrs David Morris, Mr and Mrs C. Westbury and Mrs T. C. Hunt.

Institution of Municipal Engineers
The Institution of Municipal Engineers gave a dinner at the Cutlers' Hall last night. The president, Mr Stuart Mustow, was in the chair. Those present included:
The Earl of Gainsborough, Lord Hinton of Bankside, the Chairman of the GLC, the Lord Mayor of Westminster, Sir John Welch, Sir Neville Leigh, Sir Godfrey Agnew, Sir John Garlick, Sir James Swaffield, Sir Gervas Walker, Dame Shelagh Roberts, MEP, Mr A. M. Beaumont-Dark, MP, Mr N. W. Budgen, MP, Mrs Jill Knight, MP, Councillor I. McCallum and Councillor J. Smart.

Suppers

HM Government
Sir Ian Gilmour, Lord Privy Seal, and Lady Caroline Gilmour were hosts at a theatre party yesterday in honour of the Finnish Foreign Minister at the Piccadilly Theatre and afterwards at a supper party at 1 Carlton Gardens.

Commonwealth Parliamentary Association
The Secretary-General of the Commonwealth Parliamentary Association, Sir Robin Vanderfelt, and Lady Vanderfelt gave a buffet supper at 7 Old Palace Yard yesterday in honour of Commonwealth parliamentarians attending the thirtieth seminar on parliamentary practice and procedure at Westminster.

Reception

London Court of Arbitration
The Lord Mayor, accompanied by the Sheriffs, attended a reception held by the London Court of Arbitration at the Mansion House yesterday evening. Mr Norman Royce, chairman, Mr Douglas King, deputy chairman, and Mr Alfred Shindler, vice-chairman, received the guests, who included:
The Ambassadors of Belgium, Sweden and Greece, the Master of the Rolls, the President of the Chartered Institute of Arbitrators and Alderman Lady Donaldson and Lord Roskill.

Service dinner

RAF College, Cranwell
Air Officer Commanding and Commandant, Air Vice-Marshal B. Brownlow, and officers of RAF College, Cranwell, were hosts at a guest night held in the College Hall Officers Mess yesterday to mark the end of the 21 Nato senior officers joint electronic warfare course and to dine out Group Captain R. A. Miller, Director of the Department of Air Warfare. Wing Commander C. E. Wilkinson presided. Among those present were:
Rear-Admiral S. A. Swarztrauber, USN, Major-General D. C. Mackenzie, Canadian Forces, Air Vice-Marshal F. D. G. Clark, RAF, Commandant National Defence College, Latimer, and the Deputy Commandant of RAF College, Cranwell.

Photograph by Bill Warhurst

Deaconess Janet Driver, the first woman to join the ordained staff of St Paul's Cathedral.

Subsidies up 11.7% to national arts companies

By Kenneth Gosling
Arts Reporter

An increase of 11.7 per cent in the subsidies paid by the Arts Council to the "big four" national opera, ballet and drama companies is disclosed in a list published by the council today, the first time such a breakdown has been given.

For the Royal Opera House, Covent Garden, a total of just over £9m will be made available to support the opera company's seasons at Covent Garden and the Palace Theatre, Manchester, and the Royal Ballet and the Sadler's Wells Royal Ballet companies in London and on tour. The figure last year was £7.8m.

English National Opera's subsidy will be £4.5m (£3.9m last year) and a further £1.5m (£1.2m) is to be made available for Opera North, based in Leeds. The National Theatre Board's subsidy for its activities in its three South Bank theatres will total £5.4m (£4.95m) and further guarantees will be available for National Theatre company tours.

The Royal Shakespeare Company gets £2.55m (£2.3m) to cover its work in Stratford, including The Other Place, and at the Aldwych and Warehouse theatres in London. A further subsidy is to be allocated towards the costs of the company's season at Newcastle.

Orchestra's appeal: The National Youth Orchestra has been told by the Department of Education and Science that it cannot expect a special grant from the department. (Our Music Reporter writes.) It applied for financial help after being told that the Arts Council was ceasing its grant.

"This last rejection closes the door of government funding to an organization widely regarded as the best in the world", the orchestra said.

Unless extra financial support can be found, the orchestra said it would have to go into liquidation in the summer of next year.

English bridge team chosen

The following team will represent England in the home counties international bridge series for the Lady Milne Cup on June 6 and 7 at Saundersfoot: R. S. Brock (non-playing captain), Mrs A. L. Fleming, Mrs V. A. Bingham, Mrs E. Pencharz, Mrs L. Hayes, Mrs V. Austwick and Miss P. Davies (our Bridge Correspondent writes).

Mrs Pencharz is the only newcomer to international honours.

OBITUARY

MR FRANK MAGUIRE

MP for Fermanagh and South Tyrone

Mr Frank Maguire, who had been Independent MP for Fermanagh and South Tyrone since October 1974, died in hospital in Enniskillen yesterday, following his collapse at his home in Lisnaskea. He was 51.

Though he had been active in the republican movement in the early part of his life and continued to remain concerned in the matter of the treatment of republican prisoners in British prisons, Maguire remained something of an enigma as a Westminster politician. He rarely made an appearance in the House of Commons and was *never known to make a speech* or ask a question in the House: but his presence in divisions became a matter of great importance on more than one occasion during the Labour Government of Mr Callaghan, and it was his abstention during the final confidence vote early in 1979 which contributed to the downfall of the Callaghan government.

Meredith Francis Maguire was born in 1929, a nephew of the veteran nationalist and former MP, John Carron, and educated at St Mary's Marist Brothers School, Athlone. In his early days he was known as a brilliant Gaelic footballer and referee. He was also active in the republican movement and during the late 1950s was interned for two years as a suspected IRA member.

As the well known publican of Frank's Bar in his native village of Lisnaskea, a future for Maguire as a Westminster politician would have seemed an unlikely one until he was *chosen* as the compromise Roman Catholic candidate for Fermanagh and South Tyrone, for the general election of October 1974; the seat had been lost to Mr Harry West, the official Unionist Party leader by Mr Frank McManus, the extreme republican who had held it for his own Unity Party, until February of that year.

Though little known in political circles Maguire wrested the seat from West, reputedly without making one single policy speech during the campaign period. This reticence was to continue during his parliamentary career: he preferred the company of his constituents on the home ground of his bar in Lisnaskea to the vociferous ethos of the chamber, and his visits to Westminster were few and far between.

Yet, ironically, though he became known as "the invisible man" at Westminster, his presence at crucial divisions became a matter of vital concern during the life of a Callaghan government frequently hard pressed for a majority. But though he supported the government in several of such votes he eventually abstained during the confidence vote of March 28, 1979, the loss of which *forced the government* to the polls.

In the general election of May 1979 Maguire substantially increased his majority over his nearest (OUP) rival. Though not outspoken in Parliament he was always concerned for the welfare of republican prisoners and when he travelled to Britain it was frequently to visit them.

Maguire was married with three sons and one daughter.

MR TORIN THATCHER

Mr Torin Thatcher, the stage and film actor, died on March 3 at the age of 76.

With a bold authority in presence and voice, he was among the most regarded character actors in London until he left England for New York and, ultimately, Hollywood. There he gave the rest of his career to films in which he was abundantly versatile.

Though he had an exceptional range—his parts at Cambridge laid the foundation—he was at heart a classical man with a sustained feeling for theatre history. He did much Shakespeare in his first London years and returned occasionally later. Visitors to the Olivier *Hamlet* at Elsinore (in June, 1937) recall the regality of Claudius which Thatcher doubled with the Ghost on the indoor cabaret-stage at Marienlyst and later, during better weather, in the Kronborg courtyard. And they remember, too, how cheerfully professional he remained during the rain-blighted preliminaries to the Festival.

Born at Bombay in January, 1905, educated at Bedford School, and originally a teacher, he studied under Nugent Monck at the Maddermarket, Norwich, and at the Royal Academy of Dramatic Art.

His beginnings could scarcely have been more various; they included the gruff German tutor in *A Month In the Country* (Playhouse, Oxford); a tour in *Sailors Don't Care*; and two parts for William Poel in *Fratricide Punished* (April 1926).

He toured in *Grumpy*; then for nine months, 1926-7, he was at Cambridge in one of Terence Gray's extraordinary Festival Theatre seasons that swung from *The Oresteia* to *Sweeney Todd.*

Immediately after this he had two years with the Old Vic, playing among other things the Ghost in *Hamlet* and Ford in *The Merry Wives of Windsor* with several opportunities as in *Mary Magdalen* and *Everyman*, to use his impressively deep voice for offstage figures. He went on to Shaw in an exacting Macdona Players' repertory, mainly on tour; when he settled as a West End actor—the term then included the Embassy at Swiss Cottage—he could take any challenge.

These would be rare; not many contemporary plays were durable. But he was in some then little-explored classics, giving his graciousness to Antonio in *The Duchess of Malfi* (Embassy 1935) and in the same year eloquent as Alcibiades (back under Nugent Monck's direction) in a Westminster *Timon of Athens*. He played the Ghost in Guthrie's *Hamlet* revival (Old Vic 1937) and in Elsinore that summer doubled with Claudius. During the autumn he was the stoker in Priestley's *People At Sea* at the Apollo; early in 1938 he brought off a feat unfamiliar now, appearing concurrently in two productions, a first act at Wyndham's, a last two at the Savoy.

Between 1940 and 1945 he served in the Army, being demobilised with the rank of colonel. Even then he could act, appearing as Claudius, and as Ferrovius in *Androcles and the Lion* at GHQ, Middle East (1944-45).

Back on the London stage he helped to found the Reunion Theatre Association and at the Arts (April 1946) played in *Exercise Bowler* which he helped to write. His last London part was in the fleeting *Jonathan* (Aldwych, July 1948): that September he was Henry in the New York production of *Edward, My Son* and his remaining stage performances (long gaps between, when he was generally filming) were in the New York theatre: from 1963 he devoted himself to films.

Thatcher had made his film debut in America in *General John Regan* in 1934 and went on to play character parts in dozens of films on both sides of the Atlantic. In the British cinema he will be remembered for the Shaw adaptation, *Major Barbara:* the prison camp story, *The Captive Heart:* and David Lean's finely crafted 1946 version of *Great Expectations*, in which he played the aggressive Bentley Drummle who marries Estella and later dies in an accident.

From the early 1950s he settled in Hollywood and was in steady demand for supporting roles for almost two decades. His films included *The Snows of Kilimanjaro;* the Biblical epic and the first picture to be shot in Cinema Scope, *The Robe;* a popular Danny Kaye vehicle, *Knock on Wood; Love is a Many Splendoured Thing;* Billy Wilder's version of the Agatha Christie play, *Witness for the Prosecution;* and, during the 1960s, the Burton-Taylor *The Sandpiper* and *Hawaii*.

He was married, first, to the actress Rita Daniel, who predeceased him, and secondly, to Anna Marie Le Bourgne.

Science report

Ethology: Extended bird families

By the staff of Nature

The discovery that the Mexican jay *Aphelocoma ultramarina* lives in large "extended" families quite different from the "nuclear" families of most communal birds is presenting quite a puzzle to evolutionary biologists. A study of more than 500 birds over nearly 10 years has enabled Dr J. L. and Dr E. R. Brown of the State University of New York to work out the family relations of six groups of Mexican jays living in Arizona.

They found stable social units containing grandparents, uncles, aunts and cousins in addition to parents and their brothers and sisters. The same birds are found in the same units each day and do not mix with their neighbours. Although only the older birds may breed, all the birds help in feeding the young and in defending the nests and territory from intruders.

The existence of birds who help in feeding the young of other birds is of particular interest because it appears to contradict the theory that natural selection acts on the individual. From the point of view of evolution, success is measured only in the number of offspring that an individual leaves behind. It would seem that "selfless" birds who help others will leave behind fewer offspring than "selfish" birds who accept help but do not give it. "Selflessness" would thus be expected to *die out quickly*.

How is it that natural selection can favour patterns of altruistic behaviour that apparently do not favour the individual that carries them out? That general problem has recently attracted great attention from sociobiologists and they suggest the answer lies in considering not only the individual but also those so closely related that they are likely to share many of the same genetic characteristics.

Selflessness may continue in a population if an animal is, for example, prepared to die for a *very close relative who very probably also carries the same self*lessness characteristic but not for a stranger who may not share that characteristic. That proposition is supported by the many examples of cooperative behaviour seen in social insects where members of the same colony are very closely related; even more so than a normal brother and sister.

The problem with applying such an explanation to the extended family system of Mexican jays is that, because the group contains a great number of fairly distant relatives, the birds are not, on average, nearly closely related enough. In contrast, all the birds in nuclear families, which contain only parents and helping sons and *daughters, are very closely* related.

A possible explanation is that helping others might actually be of benefit to the helper in giving it experience of rearing young. If the bird gets a chance to breed at a later date the advantages of that experience might well outweigh the effort it expended.

A second explanation might lie in considering the special environment in which the Mexican jay lives. The environment is harsh and birds may have very little chance to breed unless they stay in a group which has a well-established territory in a productive area. Birds may help their relatives only so they can stay on until they can inherit the territory for themselves.

The benefits of the different options open to an individual bird will need to be investigated before we can understand exactly how such an unusual social system arose.

Source: *Science*, February 27 (vol 211, p 959) 1981.

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Today's engagements

The Duke of Edinburgh, as Honorary Air Commodore, visits RAF Kinloss, 12.30.

Poetry: Philip O'Connor, National Poetry Society, 21 Earls Court Square, 7.30.

Lectures: Titian: The death of Actaeon, Audrey Tyndall, National Gallery, 1; Hampstead Heath and Old Hampstead Society discussion: Recreational use of the heath, Burgh House, New End Square, 8.

Bernard Levin signs copies of his book, *Taking Sides*, Harrods, Knightsbridge, 12-1.

Exhibitions: Royal Institute of Painters in Watercolours, Mall Galleries, The Mall, 10-5; Paintings, drawings and prints by Dolf Rieser, Lumley Cazalet, 24 Davies Street, 10-6; The vanishing cabinet, Andrew Lanyon's humorous and eccentric view of the history of photography, 35 King Street Gallery, Bristol, 10-7.30.

Lunchtime music: Guildhall New Music Ensemble, directed by Buxton Orr, Noelle Barker, Guildhall School of Music and Drama, Barbican, 1.10; John Scott, organ, St Paul's Cathedral, 12.30.

Latest wills

Mari Meredith Thompson, of Oxford, left estate valued at £118,628 net. She left £7,500 and some effects to personal legatees, and the residue to the RNLI.

Other estates include (net, before tax paid):

Beddington, Mr Richard Edward Lionel, of Dorstone, Herefordshire .. £153,431
Bourner, Mrs Pearl Irene, of Woodbridge, Suffolk .. £128,112
Broome, Mrs Eveline Frances, of Ilfracombe .. £190,616
Gathercole, Mr Thomas Isaac, of Bury St Edmunds .. £166,240

Leighton Park School, Reading

The following awards have been made for September, 1981: First Scholarship: J. Agar (Holme Grange, Wokingham). Major Scholarship: P. M. Sewell (Leighton Park and Crosfields, Reading). Minor Scholarships: S. A. J. Mawby (Dolphin School, Hurst) in music, A. M. T. Wrigley (Hill School, Westerham). Exhibitions: S. B. Burden (Leighton Park and Dolphin School, Hurst); J. J. Holding (Abbey School, Tewkesbury); A. K. Jolly (Crosfields, Reading).

Queen Ethelburga's School, Harrogate

The following awards are announced: Sixth Form: Sixth Form Scholarship: Sarah Corkill, Queen Ethelburga's; Brentwood Scholarship: Ashley Heath, Queen Ethelburga's. Entrance: Major Scholarship: Jane Gleadell, Handel House, Gainsborough; Hogben Scholarship: Victoria Hall, Red House, Norton; Exhibition: Lucy Barraclough, Waverley, Huddersfield.

RAF graduation

Air Commodore J. W. Price, Director of Operations (Strike), presented wings to the following officers of the general duties (pilot) branch on completion of their advanced flying training course at Number 2 Flying Training School, RAF Shawbury, yesterday:
Flight Lieutenant A. A. Lawless, Flying Officers R. L. Hill and C. Miller, Pilot Officers A. Strachan and G. J. James.

25 years ago

From The Times of Tuesday, March 6, 1956

Negro rights

Washington, March 5.—The United States Supreme Court today upheld a decision that its ban on segregation of whites and Negroes in public (state and city-owned) schools also applies to colleges and universities which receive help from taxpayers' money. The original decision was given by a special district court in Greensboro, North Carolina. It ordered the admission of three Negroes to the University of North Carolina. University officials appealed to the Supreme Court to reverse the district court decision and its own decision of May 17, 1954, rejecting segregation of white and Negro pupils in public schools. The Supreme Court action today was taken without the customary hearing of arguments.

Old Master drawings to be sold

By Geraldine Norman
Sale Room Correspondent

The collection of Old Master drawings formed by Tobias Christ, a Swiss lawyer who died 35 years ago, is to be sold by Sotheby's on April 9. Not since the von Hirsch sale of 1978 left the market gasping at new price levels has so important a group of early German drawings come on the market; there are 60 drawings in the Christ collection, German, Swiss and Dutch dating from the fifteenth to the seventeenth century.

Prices for Dürer drawings at the von Hirsch sale ranged from £22,000 to £640,000. Several German fifteenth or sixteenth-century masters topped, or nearly topped, the £100,000 mark.

Sotheby's are not looking to repeat such prices, although excesses are always possible when extreme rarities are for sale.

Most distinguished are a "St Christopher" dated 1520 by Hans Baldung Grien and a small study by Dürer for his print of 1505, "The Satyr's Family". Prices of about £50,000 to £70,000 are being suggested for these drawings.

Outstanding among the Dutch drawings is Rembrandt's "Diana seated with two dogs", a real hunting "tough" sitting with her legs indelicately apart. There is a beautiful half-length "Portrait of a seated woman", by Jacob de Gheyn, two figure studies by the rare Bohemian, Buytewech, and a page from a sketchbook by Van Dyck.

Rembrandt's "Diana seated with two dogs", in the Christ collection to be sold next month.

An example of one of Britain's rarest porcelain factories came up for sale at Lawrence's of Crewkerne yesterday when a white figure of "Britannia Prince of Wales" was sold for £10,000 (estimate £5,000 to £8,000). The factory is known as "Girl in a swing" after one of the best known figures it produced.

Britannia, a pretty girl, sits weeping, a medallion of the prince clasped by her left arm, and supported by a good-natured lion. The figure is 7in high. Robert Williams, of the Bury Street firm of Winifred Williams, travelled to Somerset for the sale and claimed her.

Lawrence's sale of ceramics and other works of art was particularly well attended, totalling £67,602, with only 3 per cent unsold.

The market in Japanese ceramics and works of art proved notably weaker at Sotheby's Belgravia than at the similar Sotheby sale held in New York last weekend. There was a total of £103,799, with 16 per cent unsold.

MRS DOROTHY JOHNSTONE

Mrs Dorothy Christian Liddle Johnstone, CBE, a Commissioner of Customs and Excise from 1964 to 1976, died on February 24, at the age of 65.

VS writes:

Mrs Dorothy Johnstone, *whose death was reported last* week, was the first ever woman to become a Commissioner of Customs and Excise. By the time she joined Customs in 1957, she had already won a great reputation in her previous departments and she quickly became established as one of Customs' best known and most respected members. At one time she and her husband Arthur had the distinction of being Commissioners respectively of Customs and Excise and Inland Revenue.

As Commissioner for General Customs, she presided over the marked change in the Department's attitude towards greater involvement with trade and industrial interests in developing customs procedures. In 1970, she was made responsible for the machinery and control aspects of the introduction of VAT, and she remained on VAT until her retirement in 1976. In that capacity, she dealt with countless trade and professional associations.

All who met her were impressed by her formidable intelligence, her commonsense, and her willingness to see and, where possible, meet their difficulties. Those who worked with her found also that, under her no-nonsense manner, she had a warm concern for the welfare of her staff and a keen sense of humour. As a civil servant, perhaps her greatest quality was her ability to explain complicated issues simply: her book *A tax shall be charged*, describing the introduction of VAT, is one of the most lucid accounts ever written about the administrative process.

Even in retirement, and despite ill-health, she remained interested and involved in taxation and public affairs. She was the first point of reference for anyone seeking expert guidance on the administration of VAT; and she was first a lecturer and subsequently a visiting Fellow at the University of Bath.

Flights of ingenuity, page 17

THE TIMES
BUSINESS NEWS

The upheaval in US banking, page 17

■ **Stock markets**
FT Ind 496.2 down 3.8
FT Gilts 68.61 down 0.05

■ **Sterling**
$2.2040 up 75 points
Index 99.0 up 0.3

■ **Dollar**
Index 100.7 up 0.1
DM 2.1360 up 5 points

■ **Gold**
$463.50 down 51

■ **Money**
3 mth sterling 12⅝-12⅛
3 mth Euro $ 16⅝-16⅞
6 mth Euro $ 16⅝-16⅞

IN BRIEF

Ransome to close engineering factory

Ransome Hoffmann Pollard, the precision engineering group, is to run down its Northampton factory with the loss of 340 jobs. The company's shares fell 4p to 79½p.

The Northampton factory's main product is car water pump bearings. It has been on short-time working for more than six months, as export sales have dwindled. Demand is now too low to keep the factory open. The strong pound is blamed for making the bearings uncompetitive in Europe.

The company is to transfer the Northampton factory's product range to one of its other factories over several months. Ransome Hoffmann Pollard reported 1979-80 profits of £11m but Mr David Ewart, the chairman, said that poor economic conditions would have an adverse effect on this year's first half profits.

Promoting Scotland

A new organization called Locate In Scotland will promote Scotland abroad, it was announced by Mr Robin Duthie, chairman of the Scottish Development Agency. It will be based in Glasgow and will have a staff of 20 drawn from the SDA and the Scottish Economic Planning Department.

Lucas action group

Staff and manual unions representing 17,000 Lucas Electrical employees have formed an action committee to fight company plans to close more factories and axe a reported 3,000 jobs.

£27m Korean order

Northern Telecom's subsidiary, Northern Telecom Canada, will sell C$60m (£22.7m) of telecommunications equipment to the Republic of Korea.

Mutual funds plan

The United States is considering imposing reserve requirements on money market mutual funds, which now have asets under management of almost $100,000m (about £45,450m) as a means of assisting ailing savings and loan banks.

Microchip deal

Motorola, the United States electronics company, and the Dutch Philips group together with Signetics, its California-based subsidiary, have signed a five-year agreement to collaborate on the development and production of a family of microprocessors

Thai bank credit

The Export Credits Guarantee Department has backed a $3m (£1.4m) line of credit for the Thai Farmers Bank, to finance the export of British capital goods and services to Thailand.

Nissan site denial

Mr Nicholas Edwards, Secretary of State for Wales, has denied reports that Wales had already been selected as the site for a £200m car plant creating 5,000 jobs by Nissan of Japan.

Wall Street lower

The Dow Jones industrial average closed 6.82 points down to 964.62. The $-SDR was 1.22279. The £ was 0.556016.

CBI calls for £6,000m state spending to boost growth and jobs

By Patricia Tisdall
Management Correspondent

An expansion of government spending by £1,500m a year for each of the next four years is being urged by the Confederation of British Industry as part of a strategy for economic recovery.

By 1985 the programme proposed in a staff discussion paper published by the CBI yesterday would cost an additional £6,000m but could cut unemployment and restore industrial growth.

The 82-page document containing 50 separate recommendations is the creation of Sir Terence Beckett, the former chairman of Ford who took over as the CBI's director-general last summer.

"If we want to get this country moving we have to start giving industry some priority in the scheme of things", he said yesterday.

"If we let things go the way they are going, unemployment would continue to grow right through to 1985."

With unchanged policies, output would grow by less than 1 per cent a year up to 1985, unemployment would rise to well over three million, inflation would fall only slowly after 1981 and company profitability remain weak.

If the CBI plan were implemented, the economy would expand by 3 per cent a year, unemployment would drop, inflation would slow down and profits would improve.

"Our approach is based on an improvement in industry's performance together with increased funds from the Government partly from increased North Sea oil revenues and partly from savings. There is a very definite real need for industry to help itself and for the Government to recognize the plight the economy finds itself in", Sir Terence added.

CBI leaders denied that there was widespread dissatisfaction with the Government's handling of the economy. "Our dissatisfaction is with the community at large", Sir Raymond Pennock, CBI president, said. "We're not seeking to bash any particular sector. We're all in this mess together and we all have certain things to do to put it right."

The employers stress that their proposals would not add to inflation. "We have taken great care that there will be no inflationary element in our programme", Sir Raymond said.

The CBI is also at pains to point out that its proposals are quite different from the £6,000m expansion asked for in the 1981 Trades Union Congress Review which was all planned for in the coming financial year.

The CBI document has been sent to the Prime Minister and to Cabinet ministers, including Sir Geoffrey Howe, the Chancellor. The employers say they have not so far had a reaction but hope that the first positive response will appear in next Tuesday's Budget.

Top of a list of "firm" proposals and the biggest single item of expenditure on the CBI's list is the abolition of national insurance surcharge. In its pre-budget submissions the CBI is asking for an immediate 2 per cent cut in interest

Sir Raymond Pennock: action needed to put things right.

rates. The document calls for the abolition of National Insurance surcharge by 1985.

It suggests that a total of £1,500m a year should go on major capital investment programmes including new roads, new sewerage systems and ventures like railway electrification, gas gathering pipelines and nuclear development.

Among suggestions which are likely to arouse controversy among some CBI members is that of selecting special industry sectors for state aid.

The document suggests that £750m could go to "sunrise industries" with the best growth and profitability prospects. Examples of industries cited by Sir Terence as likely candidates for government support include genetic engineering, bio-technology, telematics, office equipment, aerospace and oil exploration.

"We have not been very successful at picking winners in the past, but other countries do it and there is no reason why we cannot in the future," he said. "The alternative would be to allow laissez-faire policies to take their course and cut interest rates, business costs and taxes. But the risk then is that the resources would be spent on consumption and imports and it would not lead to the investment we need."

If endorsed by the CBI's policy making council, such a move would represent an important shift in CBI thinking and would also involve a change of emphasis by the Government. The strategy document points out: "If we allow investment to fall any lower, future generations will be appalled at our lack of imagination and foresight in failing to take advantage of the opportunity presented by North Sea revenues."

CBI members are urged to decide urgently whether they wish the confederation and the Government to adopt a positive industrial policy along these lines.

"We must have the will to win, because if we do not we shall have increasing dissatisfaction stemming from increasing unemployment and continued poor performance almost indefinitely into the future", Sir Terence says.

Barclays reveal £300m aid to industry

By Ronald Pullen

A firm indication of the likely scale of financial support clearing banks are extending to recession-hit British manufacturing industry came yesterday from Barclays.

The bank estimates that over the past year it has lent some £250-£300m which it would not £250m-£300m which it would not stances not been "abnormal".

Mr Frank Dolling, a vice-chairman of Barclays, said that it "was part of a conscious policy of helping businesses in trouble".

It has become clear over the last few months that the clearers have been playing a crucial "industrial lifeboat" role to help companies through their financial difficulties.

In some cases, such as the assistance being given to the private steel sector, the help has become public knowledge but there have been dozens more schemes working behind the scenes. The clearers have also become noticeably more reluctant to push companies into the hands of the receiver.

Mrs Thatcher has already reminded the clearers that the Government expected "those who gain from high interest rates will use their fortuitously high profits to show confidence in basically sound established companies".

Mr Gordon Richardson, Governor of the Bank of England, also conceded in January this year that the Bank had been active in "bringing the interested parties together".

But the Bank has gone to great length to refute suggestions that it has twisted the banks' arms and the Governor stressed in his Janary speech that it was a matter for the banks to judge how they can "properly continue to lend".

The clearers themselves see this role as their strongest argument for escaping the rumoured windfall profits tax in next week's Budget.

Just how wary the banks have become about this sort of lending has been showing up in the bad debt provisions they have been announcing recently in the full-year results.

Barclays increased its charge for bad and doubtful debts in the profit and loss account fro m£55m to £130.3m for last year and while this also includes international lending the increase in the United Kingdom operations was almost sevenfold to £69.6m.

The big jump was the bank's specific provisions from £25.5m to £102.9m which reflect loans the bank's management judge to be specially at risk.

Lloyds and National Westminster have already announced big increases in their bad debt provisions.

Full year profits from Barclays for 1980 slipped fractionally from £529.4m to £523.5m although shareholders are to get a 20 per cent increase in their dividends.

As with the other clearers the domestic banking side has been hit in the second half by lower interest rates, the switch away from cheaper current account, money, and a 31 per cent rise in staff costs.

In contrast to the rest of the country Barclays said yesterday that staff numbers rose 7 per cent last year.

Financial Editor, page 17

Little chance of full monetary base system despite strong support of Prime Minister

By Frances Williams

There now seems little chance that a full monetary base system of controlling the money supply will be introduced during the lifetime of the present Government.

Despite the strong support of the Prime Minister and Professor Alan Walters, her personal economic adviser, the advocates of a swift move to a monetary base system have failed to carry the day in the teeth of determined opposition from the Bank of England.

A monetary base system would involve trying to control the money supply by regulating the quantity of cash held by the banking system with the Bank of England, plus notes and coin in circulation, rather than by manipulating interest rates as at present.

The Bank of England says there is as yet no evidence that a monetary base system would result in tighter control over the money supply and, by increasing the volatility of interest rates, it could make financial management more difficult.

Instead Sir Geoffrey Howe, Chancellor of the Exchequer, will announce in his Budget statement on Tuesday a number of changes to the present system which will be "consistent" with a future move to control of the monetary base.

But he is not expected to announce a time table for such a move. This effectively rules out the introduction of full monetary base control in the present Parliament.

The changes to be announced were foreshadowed in the Chancellor's mini-Budget statement on November 24 last year. They will include a target date by which the rule obliging banks to hold a fixed proportion of their liabilities in reserve assets with the Bank of England will be abandoned; a progress report on the development of a new measure of money M2 based on banks' retail deposits; and an indication of when Minimum Lending Rate will be abolished.

Sir Geoffrey had hoped to introduce these changes immediately after the Budget, but its early timing at the beginning of March turned out to leave insufficient time for officials to work out all the necessary details.

Professor Walters: argued against sterling M3

The Chancellor will present his monetary objectives for the coming year as "maintaining the broad thrust of the medium term financial strategy". But the objectives will be targeted on a range of monetary indicators, not just on sterling M3 as previously.

Under the medium term strategy, published at the time of the 1980 Budget, sterling M3 (notes and coin in circulation plus banks' sterling deposits of United Kingdom residents) was projected to decline steadily from 7 to between 7 and 11 per cent in 1980-81 to between 4 and 8 per cent in 1983-84.
between British and Norwegian stead it is likely to end the 1980-81 financial year up between 17 and 18 per cent on a year earlier.

By contrast, narrower measures of money, such as M1 and the monetary base, have risen relatively slowly. The difficulty of controlling M3 has led some monetarist economists, including Professor Walters, to argue that it is not a suitable short-run target of monetary control, though it is still generally favoured as the best measure of money supply over the medium term.

The Chancellor may announce on Tuesday that the authorities will in future pay heed to the behaviour of a narrow measure of money, such as M1, as well as M3 when deciding short-run interest rate and other monetary control policies.

Poland asks banks for £5,000m to refinance

By Roman Eisenstein
Banking Correspondent

Poland has asked commercial banks to help with refinancing the country's increasingly intractable foreign debt. This year it needs to find nearly $11,000m (£5,000m) to pay back existing loans and raise new money to tide it over the present critical economic situation.

The Poles have formally asked the banks to reschedule $3,100m due to them this year. They want $1,000m to be made available immediately and the rest by June to meet their needs in the second half of the year.

A meeting in London yesterday saw some tense moments as the five-man Polish delegation, led by Mr Jan Woloszyn, one of his country's eminent bankers and deputy chairman of Bank Handlowy, Poland's foreign trade bank, answered searching questions from representatives of more than 70 banks.

The meeting comes after discussions with representatives from the Organization for Economic Cooperation and Development (OGCD) governments held last week in Paris. Then representatives of 15 creditor countries reached an agreement in principle to reschedule $4,400m of government backed credits to Poland.

Another meeting with the 15 creditor governments is to be held next week in Warsaw and April is the target date for a full agreement.

Poland is also hoping to arrange $3,400m of new government backed export credits. This figure was discussed at last week's Paris meeting.

The need to borrow nearly $11,000m this year is made up of $7,500m of debt repayments and around $3,400m of projected current account deficit.

Adding interest payments due this year and the new credits could bring the total Polish debt to the West, including banks, government and other companies, to more than $30,000m.

The Poles told the bankers that they would like repayments to be spread to between eight and 10 years, with possibly a five years' grace period.

It is understood that Poland would like to extend repayment of government-backed debt to be also spread over several years. Although the word has not been mentioned, Poland is effectively seeking a moratorium on its foreign loans.

While the banks have not committed themselves to anything it seems clear that self-interest dictates an encouraging response to the Polish requests.

Meanwhile, it is understood that the banks are prepared to grant Poland some short-term credits as an interim measure. In this they will follow the example set by Western governments at last week's meeting.

N Sea output revised downwards by 9 pc

By Nicholas Hirst
Energy Correspondent

Estimates of N Sea output over the next few years continue to fall. Mr David Howell, the Secretary of State for Energy, answering a parliamentary question yesterday, gave a range of possible production to 1984 nearly nine per cent below figures of last July.

Production in the current year is expected to be between 80 to 95 million tonnes, which compares to actual production of 80.5 million tonnes during 1980 and an estimate of 85 to 105 million tonnes made in the Department of Energy's publication "Development of the oil and gas resources of the United Kingdom, 1980", known as the "Brown Book".

Output during each of the years to 1984 is similarly cut back. Production in 1982 is expected to be 85 million tonnes to 110 million tonnes, compared ao last year's estimate of 90 million to 120 million.

In 1983 it is now expected to be 85 million to 115 million tonnes against 95 to 130 million tonnes, and in 1984 90 to 120 million tonnes compared to the earlier figure of 95 to 135 million tonnes.

The figures take no account of any depletion measures which may be ordered by the Secretary of State for Energy.

Last year the Government announced that it would pursue a flexible depletion policy, aimed at preserving net-self sufficiency of oil usage for as long as possible.

As a result of a 14.7 per cent in total petroleum use last year, the United Kingdom came very close to self-sufficiency in oil, a position which is likely to be achieved this year.

An end to the recession should bring some increase in demand, but as long as output remains at the low end of estimates, it is unlikely that the Government will be forced to use its powers to cut back production from fields now producing.

Only towards the end of the period is any significant hump in production likely to occur, and then unless it is at the top end of estimates, output may not greatly exceed consumption.

So far, the only specific decision made on depletion by the Government is to delay the start-up of the British National Oil Corporation's Clyde field by two years. The effects of this decision will not show up until after 1985.

Accounting draft: An exposure draft on accounting treatment for petroleum revenue tax has been issued by the Accounting Standards Committee. The intention of ED 28 is to increase disclosure and harmonize treatment of the allowances and safeguards built into the Oil Taxation Act 1975.

UK current account in surplus by £2,700m

By David Blake
Economics Editor

Britain had a £2,700m surplus on its current account last year, with the current payments position in surplus by £1,900m in the fourth quarter alone.

The 1980 surplus was almost exactly equal to the deficit on the current account which the Treasury predicted at the time of the Budget last March.

The surprise surplus on the current account was matched by huge capital outflows, particularly in the final quarter of the year when an identified total of £1,221m flowed out of the country.

Private investment overseas is estimated to have been £1,758m in the final quarter of the year, and British banks are thought to have lent about £900m in sterling to overseas customers.

Government abolition of exchange controls in 1979 was designed to encourage a capital outflow from the United Kingdom. One effect of this is to ease pressure for sterling to rise at a time when the current account is in surplus.

Britain's surplus in 1980 contrasts with a £1,600m deficit in 1979. The change is entirely explained by big improvements in our visible trade, as the amount received for exports rose and the level of imports fell.

Trade in invisibles recorded a surplus of £600m, compared with £300m in the third quarter. In 1980 as a whole, the surplus on invisibles was £1,900m.

Trade in invisibles includes earnings on services such as the City and tourism and the transactions of the Government, which are dominated by payments to the European Economic Community.

There was a £1,181m surplus on the transactions of the private sector and public corporations in the fourth quarter. British oil companies earned less from their overseas activities than in previous quarters, while foreign companies operating in the United Kingdom earned more. The overall account on interest, profits and dividends was in deficit for 1980 as a whole, a sharp worsening from 1979.

The earnings of British companies overseas in sterling terms were greatly influenced by the rise in the value of the pound, which went up from an effective rate of 87.3 at the start of 1980 to 101.1 at the end on the Bank of England's index, which sets 1975 as 100.

On the capital account, there was about £1,000m of portfolio investment overseas by United Kingdom residents in the fourth quarter, bringing the total for the year to about £2,800m. There were some offsetting inflows into Britain, though not on such a large scale as in 1979.

Monopolies referral for ferry and hovercraft mergers

By Peter Wilson-Smith

The proposed takeover of Sealink UK, British Rail's cross-Channel ferry business, by European Ferries, its main competitor, has been referred to the Monopolies Commission.

The decision, which had been widely expected, was announced yesterday by Mr John Biffen, Secretary of State for Trade.

Mr Biffen has also referred to the commission the proposed merger between the Swedish-owned Hoverlloyd and British Rail hovercraft

Both decisions were in line with advice from the Office of Fair Trading. However the referral of the hovercraft merger still gave rise to some surprise, and was immediately attacked by British Rail.

Mr Michael Bosworth, deputy chairman, described it as both a surprise and disappointment. "The poor financial results of the two companies are well known, and with the closure of both operations a real possibility it is surprising that a merger, which is the only sensible solution for the future of hovercraft services on the Channel, should be referred to the Commission".

In contrast European Ferries, which is headed by Mr Keith Wickenden the right-wing Conservative MP, and which announced its proposed bid for Sealink last December after it became apparent that a merger of the hovercraft companies was being discussed, was pleased that the hovercraft merger had been referred.

Sealink is one of the British Rail businesses which have been earmarked for denationalization when the Transport Bill becomes law in the summer. Mr Biffen said yesterday: "It remains the Government's firm intention that a controlling interest in Sealink should be sold to the private sector.

"The decision to make the reference to the Monopolies Commission does not prejudge the question of whether a merger will be against the public interest."

European Ferries has yet to make a formal offer or put a price on Sealink, but if allowed, a merger would give the combined group an overall market share of about 60 per cent

Over the past year, fierce rate-cutting and a drop in freight traffic have sharply reduced the profitability of the Cross-Channel operators and Sealink is understood to have made losses.

Chrysler cuts back to set up $300m fund

From Frank Vogl
Washington, March 5

The ailing Chrysler Corporation is launching yet another cost-cutting effort in an attempt to develop a $300m (£136.5m) cash reserve fund. The government's Chrysler Loan Guaranty Board has urged such a fund to protect the company against a sudden fall in new car demand.

The company's desperate plight could be eased for at least a short period by government action to restrict car imports from Japan, and Chrysler is lobbying hard for this. But there appears to be a deep split within President Reagan's cabinet on this issue and this source of aid for Chrysler appears in doubt.

Latest reports suggest that Mr Alexander Haig, the Secretary of State, and Mr Donald Regan, Secretary of the Treasury, oppose car protectionism.

But Mr Drew Lewis, Secretary of Transportation, and Malcolm Baldrige, Secretary of Commerce, as well as Mr Ray Donovan, Secretary of Labour, all support restrictions.

Mr Lee Iacocca, Chrysler chairman, told The Wall Street Journal that to raise some of the $300m the company might sell its two aircraft, some land and unused buildings and raise perhaps $50m through tighter controls on inventories and receivables.

The company went to great lengths to strengthen its financial position recently to secure government approval of $400m loan guarantees, and finding the full $300m for a cash reserve now might prove impossible.

It seems unlikely that Chrysler's employees, dealers and bankers, are going to be willing to make still more concessions.

The extent of the recent concessions is outlined in a letter to shareholders from Mr Iacocca. This points out that the United Auto Workers Union agreed to income reductions totalling $622m for the period to September 1982 and that a further cut of $161m had been made in staff costs.

In addition, Chrysler's major suppliers provided some $72m of concessions, while major lenders agreed to convert $343m of debt into Chrysler preferred shares and will convert a further $343m in the second quarter of this year.

The need for an emergency reserve fund to cushion the company against sharp falls in sales is underlined by developments at Chrysler in the final quarter of last year. In his letter to shareholders, the company's chairman noted that Chrysler was profitable in October and looked like making a fourth quarter profit.

"But in November and December a series of unexpected events suddenly devastated the United States market", Mr Iacocca said. He pointed to record high interest rates, double-digit inflation and falls in consumer confidence.

PRICE CHANGES

Rises

Broken Hill	10pt to 675p	Home Charm	6p to 112p
Crouch	10p to 163p	Kode Int	8pt to 293p
Davies & New	6p to 150p	KCA Int	7pt to 187p
Hammerson 'A'	5p to 620p	Minorco	8p to 568p
Heath C. E.	5p to 228p	Simon Eng	6p to 316p

Falls

Bibby J	10p to 274p	SA Land	20p to 232p
De La Rue	20p to 640p	Swire Pacific	6p to 117p
Gill & Duffus	8p to 168p	Western Areas	7p to 243p
Hongk & Shang	6p to 178p	W Rand Cons	8p to 156p
Kinross	7p to 523p	Ultramar	8p to 503p

THE POUND

	Bank buys	Bank sells
Australia $	1.96	1.88
Austria Sch	34.90	32.70
Belgium Fr	81.25	77.25
Canada $	2.72	2.63
Denmark Kr	15.32	14.52
Finland Mkk	9.45	8.95
France Fr	11.38	10.88
Germany DM	4.86	4.62
Greece Dr	116.00	110.00
Hongkong $	12.15	11.55
Ireland Pd	1.32	1.26
Italy Lir	2340.00	2230.00
Japan Yn	482.00	456.00
Netherlands Gld	5.36	5.10
Norway Kr	12.41	11.76
Portugal Esc	126.00	120.00
South Africa Rd	2.05	1.91
Spain Pta	194.50	185.50
Sweden Kr	10.62	10.07
Switzerland Fr	4.43	4.20
USA $	2.26	2.19
Yugoslavia Dnr	82.50	77.00

Rates for small denomination bank notes only, as supplied yesterday by Barclays Bank International Ltd. Different rates apply to travellers' cheques and other foreign currency business.

Norway seeking to use its £5,000m a year oil revenue

New Vikings are out to share their spoils

Plans are being drawn up for a new Viking invasion of Britain. But this time it will be the hand of friendship and cooperation which the new breed of Norwegian invaders will extend to recession-hit industry in Britain.

They will be trying to capitalize on the historical trading links which have brought the two nations even closer together since the discovery and development of the oil riches beneath the North Sea.

By comparison with Britain, Norway is comfortably off, with a high-wage economy, small population, a continuing commitment to a policy of full employment and oil revenues likely to be filling the Oslo Government's coffers with about £5,000m a year from the mid-1980s.

Prompted by fears of the consequences of serious overheating of the economy from oil revenues, the Norwegian Government is considering how best the country's industrial development can be improved. A report to be discussed shortly in the Storting (parliament) calls for "increased internationalization" of Norwegian manufacturing industry.

But Norway has anticipated the debate and appointed four commercial counsellors at embassies in the United Kingdom, West Germany, Sweden and the United States, who have been charged with coordinating and promoting greater Norwegian industrial investment and involvement in those countries.

Mr August Smit-Olsen, who is responsible for developing the Norwegian bridgehead in Britain, is confident that the flow of investment capital into existing United Kingdom manufacturing companies, the establishment of Norwegian-owned subsidiaries and the formation of joint ventures, and the acquisition of companies in receivership will grow.

"Over the past 12 months Norwegian companies have been opening offices in the United Kingdom at the rate of about one a month," he said.

Already there are more than 150 Norwegian companies with interests in Britain, ranging from Manchester Steel to Kavli, which makes cheese-spreads and crispbread, with a total turnover of about £350m a year.

Mr Smit-Olsen and his colleagues are especially keen to encourage closer collaboration between British and Norwgian companies in the offshore-related sector, civil engineering and energy conservation, with an eye particularly on joint ventures in the less developed countries.

"What we are really trying to do is to merge our mutual interests on both sides of the North Sea to a common and beneficial goal," he says.

Peter Hill

Associations forced to cut back just as members need them most

Employers' groups feel the pinch

Employers' associations are being forced to slim down and restructure their activities, in some cases by imposing redundancies, as the recession robs them of members and revenue.

At the same time, many are finding that the demands placed on their services have grown, as member companies seek a respite from adverse trading conditions and an effective mouthpiece to express their industry's ills.

"Ironically, companies are finding that they need us most at the very time when they feel they are least able to afford us", one harassed director general explained.

Until recently, employers' associations and the confederation "umbrella" groups had put a brave face on their own predicament. Economies have generally been achieved painlessly through natural wastage and leaving vacancies unfilled.

However, there are now signs that associations will be forced into more painful courses of action, as hard-pressed member companies in turn seek to save cash by cancelling subscriptions.

Last week the Chemical Industries Association, the sixth largest employers' group in terms of income, announced that it was making 30 staff redundant immediately out of a total establishment of about 100. Cuts are being made at all levels from director downwards.

"Some action along these lines was inevitable, given the current state of business: we could not expect to avoid sharing the problems being suffered by our member companies", Mr Martin Trowbridge, the director general, said.

Although companies like ICI and BP Chemicals have been forced to make substantial cuts in their workforce, the long-term problems of the chemicals industry are small compared to those faced by textiles and clothing.

Here too employers' associations are being forced to cut back. The Manchester-based British Textiles Employers Association is reducing its staff by half, and will not be seeking a replacement for Mr Bob Lloyd-Jones, the director general, who takes up a new post with the Retail Consortium in May.

Last year, the industry shed 27,000 jobs and saw the closure of 100 mills. In 1980, the industry wage bill, upon which the 1981 levy revenue depends, fell by 30 per cent. Company membership dropped from 266 to 220, largely through cessation of trading.

The clothing industry representative body is also cutting its coat according to its members' cloth. Six separate associations, representing the apparel, clothing, corsetry, tie, overall and shirt makers, have come together to form the British Clothing Industry Association.

They were prompted partly by the need to strengthen the industry's voice, and increasingly by the need to save money by reducing duplication of services. The six will cease to exist at the end of this year.

Amalgamation is being discussed in several other sectors of British industry. It has already happened for the Leathercloth and Coated Fabrics Manufacturers' Association, which at the beginning of the year merged with the British Plastics Federation.

No large association has wholly escaped the need to make economies. The National Farmers' Union, the largest, with more than 125,000 members, has lost some jobs through natural wastage. Total workforce remains more than 400, with about half based in the regions and many working part time.

The Engineering Employers' Federation cut 21 jobs through natural wastage during 1980 and made one senior executive redundant. The policy now is to have "fewer staff but of higher calibre". Membership fell in 1980 from a record 6,700 establishments in 1979 to 6,500. About 100 of the resignations were caused by BL and Phillips wishing to extricate some of their plants from national engineering pay bargaining.

The National Federation of Building Trades Employers achieved a savings in costs of about 5 per cent last year, equivalent to £160,000, and it is looking for similar savings this year. Compulsory redundancies are not envisaged. There was a small increase in membership last year, but overall numbers have declined in the past few years. Membership now stands at about 11,800.

John Huxley

Sweden and Norway in energy agreement

Sweden and Norway have reached agreement for a bilateral energy and industrial cooperation package to be signed in Oslo later this month.

It was reached between Mr Thorbjoern Faelidin, the Swedish Prime Minister, and Mrs Gro Harlem Brundtland, his Norwegian counterpart, during the 29th session of the Nordic Council, being held in Copenhagen this week.

Details have still to be completed, but the package includes energy exchange arrangements whereby Sweden would provide Norway with the equivalent of 2,000 million kilowatt hours of electricity a year in return for three million tons of Norwegian North Sea oil, equivalent to 15 per cent of Sweden's current total annual oil requirement.

African office

The Hongkong Trade Development Council has opened a new office in Nairobi, its first in Africa, to develop stronger trade links with African countries.

Deep-sea research

A West German shipyard is to build a deep-sea research vessel, to be used by India to collect data on hydrocarbons and other deposits, and carry out marine biology exploration, under an agreement signed in New Delhi. West Germany is providing some $30m (£13.6m) in loans and grants.

Tokyo steel output

Mr Yoshifumi Kumagai, Sumitomo Metal Industries president, predicts Japanese crude steel production in fiscal 1981, which starts next month, may fall to about 102 million tonnes from an estimated 107 million in fiscal 1980.

Operation survival

M Robert Urbain, the Belgian trade minister, is preparing a plan to spur exports called "operation survival" designed to reduce the trade deficit to near zero within three years.

£33m expansion

Blue Circle, Britain's largest cement maker, yesterday announced a £33m expansion programme for Fabrica de Cemento El Melon, its Chilean subsidiary. The investment will increase output at the works from 750,000 tonnes to 1.25 million tonnes a year by 1983.

OECD growth

Real growth of countries in the Organization for Economic Cooperation and Development is likely to fall an average one per cent this year and an upturn cannot be expected until the start of 1982 at the earliest, the Kiel Economic Institute said.

Oil product prices

Consumer prices for oil products sold inside the European Economic Community were up again on February 23 since December 1978 to 105 per cent from 94 per cent the previous week, which was the lowest level since last November.

Pipeline project

The export-import bank of Japan will have talks soon with the Soviet Union on a loan to help to finance the construction of a 3,000-mile natural gas pipeline from Siberia to West Europe.

Spanish oil processing

Spain's oil refineries received 40.3 million tons of crude oil in 1980, up 2.3 per cent from the previous year. Of the total 96.9 per cent came from abroad and only 1.5 million tons were produced in Spain.

Jack-up rig venture

The Guangdong Shipyard Corporation, through Wah Chang, its Singapore partner, has been negotiating with western companies to build at least four jack-up rigs under licence in China before 1982.

Japan banks' income

A Japanese finance ministry survey shows that the net income of 13 leading banks for the six months ending March 31 will decline by more than 10 per cent on average from the preceding six months.

Engineering output fall

Production in the West German mechanical engineering industry will fall by 14 per cent in 1981, Herr Tyll Necker, president of VDMA, the industry association said.

Canada trade surplus

Canada's trade surplus rose to C$681m (£252m in January from an upwards revised C$670m surplus in December and compared with a C$309 surplus in January last year.

Vehicle registrations

Japanese new vehicle registrations in February fell for the eleventh consecutive month to 300,681, down 10 per cent from 333,825 a year earlier.

BL will have to raise £33m in addition to £990m state aid

By Edward Townsend

BL will have to raise a further £33m in the next two years, much of it from private sources, to supplement the £990m of taxpayers' money that is to be injected into the loss-making group.

Restructuring the BL operations, including overseas activities, which largely means financing more job cuts, will cost £236m and capital expenditure will total £787m.

The company's 1980 financial results, to be announced at the end of the month, will show a loss of about £400m compared with £122m last year. With more losses forecast by the company this year and in 1982, it is clear that there will be little in the way of retained earnings to finance the additional £33m required.

Giving evidence to a Commons select committee on Wednesday, Sir Michael Edwardes, the chairman, stressed the importance of winning government support for a full two-year period, both in the company's dealings with banks and for dealer confidence. Dealer defections in Britain and Europe had now been halted.

Half of the proposed £787m of capital investment will be in the cars division, a quarter in trucks and buses, an eighth in Land-Rover and the rest in other parts of the group. Two-thirds of the £236m will be spent on restructuring the cars operations.

BL yesterday clarified comments made by Sir Michael at the committee hearing about future job losses. He said that manpower cuts "could be of the order of 1,000 a month for the next two years" and that by the end of 1982 the company could be employing just over 100,000 people.

He added that recruitment would then be resumed but increases in productivity precludede a return to previous employment levels.

In a statement issued later to all BL employees, the company said that while jobs had been lost at the rate of 1,000 a month for the last three years "it would be wrong to draw conclusions from this for 1981-82 as no final manning figures have yet been arrived at.

"Any reductions planned would anyway need to be discussed at the appropriate time with trade union representatives."

Measures that will reduce the BL labour by well over 5,000 this year have already been announced by the company. The closure of the Seneffe plant in Belgium will account for 2,200, and about 800 jobs will be lost at the Cowley plant in Oxford where Morris Ital output is being cut by a third. Staff cuts have also been announced.

All steamed up about 'nuclear' energy

British nuclear technology may soon be used by the Venezuelans as a method of creating steam to extract oil from sand deposits, which have proved difficult to exploit economically by more conventional means.

A team of top British nuclear power and construction engineeds from GEC, Foster Wheeler UK and Taylor Woodrow Construction has just returned from Venezuela, encouraged that their technology could be used to extract the heavy oil from the sands of the Faja region.

The bituminous sand can contain up to 20 per cent of hydrocarbons. Estimates of the size of such bituminous sand and shale deposits worldwide vary from 40,000 million to 700,000 million tons. Oil sands are found in abundance in Canada, Venezuela and Jordan.

The technology which interests the Venezuelans is the result of building the Magnox reactors which have been generating electricity commercially in Britain since the early 1960s.

Eight such reactors are owned and operated by the Central Electricity Generating Board, representing about 6 per cent of the board's generating plant.

But the Venezuelans are interested in using the reactors as a source of high pressure steam to extract oil from the sands. A typical reactor is able to create 1 million kilograms of steam per hour at a pressure of 2,580 pounds per square inch and at a temperature of about 350 degrees Centigrade. Such a reactor will produce 1,000 million watts of thermal heat.

But all involved in the project stress that discussions are only exploratory at this stage. The initiative came from the Venezuelans, who invited British experts to present a seminar.

GEC is providing the mechanical engineering expertise; Taylor Woodrow experience in civil engineering, and Foster Wheeler UK skill in designing heat exchangers.

The market from this new technique of extracting oil could prove lucrative, even in Venezuela alone.

Bill Johnstone and Ed Baumann

IBA fails to agree terms on Trident Television break-up

By David Hewson

The Independent Broadcasting Authority has so far failed to agree the terms under which Trident Television is to break up its television empire to enable Yorkshire and Tyne Tees, its present subsidiaries, to retain their franchises.

Trident submitted proposals to meet the IBA's demands last week, but a meeting of the IBA earlier this week failed to endorse them. Both parties refused to comment on the issue yesterday, though the IBA said that a statement would be issued some time next week.

Announcing its franchise decisions in December, the IBA said that Trident had until the end of February to submit firm proposals splitting Yorkshire and Tyne Tees, and that if agreement could not be reached between the two parties it would consider afresh the offer of the two contracts.

The IBA had demanded that Yorkshire and Tyne Tees be no longer controlled by Trident and that the two areas should be owned and managed separately. Opportunities for shareholdings were to be opened to people living in the

Mr Austin Mitchell: consortium still willing to take over.

two areas, including those who had supported unsuccessful rival consortiums.

Trident's proposals, which are now likely to be the subject of discussion between the IBA and the company, have not been made public. One contentious issue which was expected to delay agreement was the selling of airtime for Yorkshire and Tyne Tees, which is currently carried out jointly.

The IBA said that it was willing to consider the continuation of the selling agreement by the new separate companies on the grounds that both might not be viable if advertising was sold separately.

Yorkshire's only rival for the franchise was Television Yorkshire, a consortium formed by staff who were unhappy with industrial relations within the present company.

Mr Austin Mitchell, Labour MP for Grimsby, and a former Yorkshire journalist who is a founder of the Television Yorkshire bid, said last night that if the present company failed to agree the terms of its franchise, the consortium was still able and willing to take over the franchise if necessary.

"I think it is important that a decision should not be taken hastily on the modifications which Trident wants to the IBA's proposals," Mr Mitchell said. "Basically we are still there, prepared to take over the contract if Trident fails."

Video recorder sales quadrupled last year

By Derek Harris
Commercial Editor

Deliveries of video recorders to the retail trade rose 164 per cent last year over 1979 levels, and consumer demand was running ahead of this increase, sales having quadrupled in 1980 compared with the previous year.

Last year's deliveries—all imported into Britain—numbered 254,200, which means nearly 400,000 recorders are now in use in Britain.

The extent of the video boom, expected to grow at least at the same pace this year, emerged from the latest quarterly survey by the British Radio and Electronic Equipment Manufacturers' Association (Brema).

Although most users of video recorders appear to be employing them to record television programmes, there is an increasing sale for pre-recorded tapes covering a wide range of material from new popular films—at around £30 a tape—to those catering for specialist interests like sport, do-it-yourself and children's programmes.

Videodisc machines, with their own software, are due on the British market later this year and are expected to boost the video boom even further.

Colour television deliveries were up 2 per cent last year compared with 1979, despite the large screen market being only a replacement one. Growth has been in small screen sets which accounted for a quarter of the 1980 deliveries—5 per cent more than the previous year—and British manufacturers increased their share of this sector from 24 per cent in 1979 to 36 per cent last year.

British makers retained their 76 per cent share of the total colour market. Retail sales of colour television sets were reported up 10 per cent, suggesting some destocking on 1979 levels.

But imports have hit British manufacturers in the monochrome sector where sales growth has been in small screen sizes where imports volume rose 30 per cent. British makers' share of the monochrome market dropped to 35 per cent from 1979's 52 per cent.

UK microcomputers get state approval

By Bill Johnstone

Nine microcomputer manufacturers, three of them British, have had some of their products recommended for government departments to purchase by the British Government's Central Computer and Telecommunications Agency.

The recommendation is a result of assessments made on the products of about 180 of the 250 suppliers which operate in the British market.

Those selected are within three cost bands: up to £2,500, between £2,500 and £6,000, and between £6,000 and £15,000.

Manufacturers and their models are in the bottom range, Research Machines, with its 38oz; Microsense Computers, with the Apple 11; Commodore Business Machines, with its Superpet. In the middle range, Casu Electronics, with its Super C; Modata and its DSC3; and Thames Systems MCZ/05. The top range is BMG Microsystems, MS5020; Equinox Computer Systems, Series 200; and Wilkes Computing, with the General Robotics 11/23.

The government agency, which is responsible for giving advice to state departments on computer purchase, has introduced new terms into the assessment.

Contracts will last for 18 months, after which new hardware introduced on the market will be assessed.

The Government's decision reflects not only the increasing interest in the use of microcomputers, but also the fact that the decreasing cost of hardware makes it inefficient for individual departments to engage in their own technical assessments.

Manufacturers selected have not been guaranteed a minimum number of orders.

The choice by the CCTA of these particular models has been based, among other criteria, on the ability of departments to exchange software programmes among the majority of the range.

Contracts placed with the nine will provide government departments with a package of discount prices, quicker deliveries, and support/maintenance of the hardware throughout the life of the equipment.

£1.5m in government backing for viewdata and teletext

By Peter Hill

The Government has endorsed plans to stimulate sales of computerized public information services and has committed itself to spending at least £500,000 a year over the next three years to promote teletext and viewdata systems.

Mr Kenneth Baker, Minister for Information Technology, has written to the heads of leading companies in each sector of the industry asking them for the endorsement of the plan and for support in working to secure its objectives.

The plan has emerged from further discussions of a steering group set up under the Department of Industry and based on a conference held earlier this year which brought together Whitehall officials, manufacturers, retailers and other interested parties to discuss how greater awareness could be created.

The basis of the plan is a projected doubling in the rate of growth over the next three years of those technologies in which Britain leads the rest of the world.

The action plan drawn up between Government and industry stated: "The active, aggressive and immediate promotion of teletext in the consumer market place, along with Prestel's carefully targeted marketing programme at the business community, will be the best way to accelerate the arrival of mass-market viewdata as well as consolidate the growth of teletext."

BBC and ITV launched Ceefax and Oracle, the broadcasting versions of teletext, four years ago, and viewdata, the more complex version which allows access to computers by linking the telephone line to adapted television sets has been available in the Prestel system from British Telecom in some areas since the middle of 1979.

The action plan foresees manufacturers' annual sales of sets and adaptors for both systems rising to 1.24 million in 1983, compared with 87,000 last year, while over the same period cumulative registrations for Prestel should rise to 209,000 from 7,500 registered users last year.

The Government regards both systems as being crucial to the United Kingdom's future prosperity.

LETTERS TO THE EDITOR

The approach to nuclear design

From Professor John Walker

Sir, Mr S. A. Ghalib has written interestingly (February 23) about the need for close links between design and construction in the nuclear power industry and about the pitfalls in the transfer of design information from a research organization to an industrial company.

He quotes a number of countries including the United States and Canada where he says the problems have been avoided by entrusting the design of new reactors to companies that would eventually build and sell them. This is certainly the case in the United States, with private companies such as Westinghouse and General Electric involved. The Canadian approach has been different but equally effective in that it lead to the successful Candu system which received such strong support recently from Lord Bowden (February 3).

An important Canadian feature has been the very close link from the outset between the Crown company responsible for the design (Atomic Energy of Canada) and the main customer (Ontario Hydro, the electrical utility for the province of Ontario). If my memory is correct, Candu's basic engineering concept of individual pressure tubes instead of a single pressure vessel (as in PWR) came from the early joint team, and was followed by the construction of the small demonstration reactor (NPD) at Ontario Hydro's Rolphton generating station 20 miles or so from AECL's plant at Chalk River; NPD has been used extensively as a training ground for Hydro staff. The subsequent movement of the AECL engineering group from Chalk River to Toronto must have strengthened the association with Ontario Hydro's headquarters and helped the development and construction of the full-scale nuclear power stations at Pickering and elsewhere.

One cannot help feeling first that replication of design, which speeds the building of later stations, is more likely to come from this approach than from one in which a design authority is dominant, and second that Candu's performance should be viewed as a tribute to the scene in which it has been set, as well as to the reactor itself.

Yours faithfully,
JOHN WALKER,
Professor of Applied Nuclear Science,
Department of Physics,
Chancellor's Court,
The University of Birmingham,
PO Box 363,
Birmingham B15 2TT.
February 26.

From Professors R. P. Pearce and R. S. Scorer

Sir, Professor Fremlin has produced a number of arguments in support of his case [...] nuclear power (February 2[...] We do not wish to comment [...] the economic case which [...] makes in the first part of [...] letter to you, but are concern[...] that your readers should not [...] misled by the statements [...] makes concerning the effects [...] fossil fuel power stations [...] the weather.

He states that as a result [...] an increase in carbon dioxi[...] in the atmosphere "each ye[...] a little less of the energy [...] receive from the sun is [...] radiated into space". There [...] no observational evidence th[...] this is the case. The effects [...] an increasing atmospheric co[...]tent of carbon dioxide are co[...]plex, and it is not firm[...] established whether, on balan[...] this will lead to a slight war[...]ing, a slight cooling, or have [...] effect at all.

Quite contrary to what Pr[...]fessor Fremlin implies in h[...] letter, the 15 per cent increa[...] in CO_2 content which has tak[...] place over the past 100 yea[...] has not led to any measurab[...] change in the climate on th[...] time-scale which can be clea[...] distinguished from the natur[...] variability of the atmosphere.

Yours faithfully,
R. P. PEARCE,
Department of Meteorology,
University of Reading;
R. S. SCORER,
Department of Mathematics,
Imperial College,
London, SW7.
March 2.

Increase in standing charges for gas

From the Secretary of the British Gas Corporation

Sir, I expect your readers were astonished to learn from Mr Ian Mackenzie (letters, February 13) that the standing charge on his gas bill has risen 170 per cent since last April. So was I, because it is a very misleading thing to say. Had Mr Mackenzie examined his bill more closely he would also have been able to tell your readers that there has been no increase at all in the charge for the first 52 therms each quarter. Part of this charge is intended to help cover the fixed costs involved in supplying gas no matter how little is actually used—the supply to the house, for example, the meter, billing, etc. His contribution to those costs has in fact increased by 22 per cent since April 1980.

Without a standing charge the price per therm would have to be higher. Customers with gas heating would then be subsidizing people who use little or no gas but wish to have a gas supply. This is why British Gas has introduced a small standing charge for prepayment customers in the latest tariff changes, something to be kept in mind when considering Mr Meyrick's advice to switch to slot meters (letters, February 23).

Gas price rises can cause problems and we do all we can to help but Mr Mackenzie's emotive language cannot disguise the fact that since the 1960s gas prices have risen much less than prices and incomes in general.

Yours faithfully,
GORDON MAY,
Secretary,
British Gas Corporation,
Rivermill House,
152 Grosvenor Road,
London, SW1V 3JL.
February 27.

From Miss Suzanne Chivers

Sir, As the escalation of gas prices is more a matter of policy than a need to make additional profits, could not British Gas follow a fairly general business policy of allowing consumers a discount, of say 10 per cent, for prompt payment of bills.

The discount could be deducted from the next statement. And it would do away with all the paper work and postage of sending out final demands.

Ideally, the electricity boards and the telecommunications could follow the same course.

Yours faithfully,
SUZANNE CHIVERS,
121 North Side,
Clapham Common,
London SW4.
March 4.

T. I. Raleigh monopoly reference

From Mr Laurence Bloch

Sir, I was most disturbed [...] read the article by Mr Dav[...] Hewson concerning T[...] Raleigh's referral to the Mon[...]polies and Mergers Commi[...]sion. Is it not about time th[...] Office of Fair Trading took i[...] head out the clouds? If Raleig[...] was forced to supply such gia[...] retail outlets as Argos, th[...] result would be disastrous n[...] only for recognized cycle ou[...]lets but also for the publi[...] Woolworths, who were me[...]tioned in the article, alread[...] sell a range of bicycles c[...] price, but without proper aft[...] sales servicing facilities, wi[...] the result that cycle deale[...] such as myself are plague[...] with repairs of these cycle[...] which are not manufactured [...] British specifications, so that i[...] many cases, they are irrepa[...]able.

Such large chains as Argo[...] are only interested in bicycle[...] while the going is compara[...]tively good. If once bicycl[...] sales fell away, they would soo[...] stop buying. The result of thi[...] would be that the public woul[...] have suffered a decline in se[...]vice, small dealers would hav[...] gone to the wall and Raleigh[...] would be ruined.

Bicycle retailing requires [...] special combination of skill and service, which the large multiples would not be able to provide. Such firms must not be allowed to ruin the cycle trade as they have in many other cases.

It is a sad day when companies cannot choose to dea[...] with whom they wish.

I am, Sir, your humble an[...] obedient servant,
LAURENCE BLOCH,
Sales Manager,
Malley's Cycle & Pram Store,
57-61 Graham's Road,
Falkirk, FK2 7DJ.
February 28.

Stationery Office prices

From Mr R. H. McCall

Sir, I have recently had to purchase Cmnd 8179 *The Future of building control in England and Wales* price £2.10. It is approximately 16 pages of simple printing. Is there any and, if so what parliamentary scrutiny and control of Her Majesty's Stationery Office charges? It is right for Government to challenge inflation, but this level of charges seems to be little short of an outrage.

Yours faithfully,
R. H. McCALL,
The Hospice,
St Giles Hill,
Winchester.
March 4.

Value-added taxation anomalies

From Mr M. N. McLean

Sir, Assuming Mr H. Berger (letters, February 26) is seriously querying the justification for his firm to recover VAT on envelopes (his example) while he cannot, perhaps he might ponder for a moment on a system where everyone paying VAT could then recover it in full. He might then reasonably complain about the enormous cost of operating a tax system to produce nil revenue.

Mr Berger's firm presumably operates on the profits arising from the sale of goods and/or services on which the appropriate VAT is levied. The envelopes in question are consumed during the operation of their business and any recovered VAT in effect reappears at the end of this operation in their charge to customers.

As a private individual Mr Berger has no end product or service to sell to which his envelopes have contributed an[...] which would generate VA[...] revenue. Until such time as h[...] has he must share the VA[...] burden with other "end-point" consumers such as myself.

Yours faithfully,
M. N. McLEAN,
Greenways,
Burfield Road,
Chorleywood,
Rickmansworth,
Hertfordshire WD3 5NS.
February 26.

The workings of ACT

From Mr Brian Lever

Sir, Anent Ms Gleeson's comprehensive article ("Companies slip into the poverty trap", March 4) it may be helpful to readers in any further consideration of what—if anything—might be done to mitigate the incidence of advance corporation tax (ACT) to be reminded of the pedigree and nature of that animal.

It is first and foremost collection at source of the shareholder's liability to basic rate tax on his dividend. If, for some reason, he has no liability the tax can be reclaimed from the Revenue.

It has always been a basic concept of our tax system that dividends paid out of company profits which have borne tax shall not be taxed again in the shareholder's hands (except for surtax, higher rates, investment income surcharge). This is what applies under the present system and also what applied under the old system when companies paid income tax instead of corporation tax. Under the old system a shareholder could likewise claim repayment where no liability existed.

Now it so happens that companies can pay dividends even though for a variety of reasons—losses, capital allowances, stock relief—they pay no tax on their profits. Under the old system it was nevertheless assumed that the profits out of which the dividend was paid had suffered tax, and the Revenue would make repayment to a shareholder on a claim being made. This was of small consequence until certain people caught on to the possibilities and the Revenue found itself "repaying" millions in tax it had never collected.

The remedy was ACT. Now, when a company pays a dividend, it collects and hands over to the Revenue the shareholder's liability to tax on that dividend. If the company eventually pays tax on its profits this ACT is recoverable and we are back to the basic concept that dividends paid out of taxed profits are not taxable again in the hands of the shareholder. If, for some reason, the profits do not suffer tax the dividend tax is retained by the Revenue.

To meet, in part, the case where a dividend is paid out of past profits, ACT can be set against the company's tax liabilities for the previous two years. For some inexplicably generous reason it can also be carried forward indefinitely and set against future liabilities.

Thus, while honouring the hallowed basic concept, the Revenue is nevertheless assured that any tax it may refund to a shareholder has first been garnered into its coffers.

The rate at which a company pays ACT is, of course, the basic rate of income tax for the tax year in which the dividend is paid.

To summarize: ACT is not a tax on companies; it is collection at source (another hallowed concept) of the shareholder's liability to basic rate tax on his dividend. If a company did not have to pay ACT to the Revenue it would have to pay a similar amount to its shareholders. It is part and parcel of the dividend.

I have the honour to be, Sir, your obedient servant,
BRIAN LEVER,
89 Castle Avenue,
Ewell,
Epsom KT17 2PJ.
March 4.

BY THE FINANCIAL EDITOR

Barclays slows overseas

Full-year figures from the clearing banks are springing fewer surprises on the analysts than at the interim stage when sharply higher bad debt provisions and the changing deposit mix away from cheaper current account money upset the rosier forecasts.

Given its increased exposure to British manufacturing industry Midland could still upset the apple cart but for the time being Barclays, *the third of the clearers to report*, has turned in results mid-way between Lloyds and Nat West.

After the *better than expected first-half* gain of 13 per cent, pretax profits slipped 4 per cent to £244.4m in the second-half against 4 per cent at Lloyds and 18 per cent at Nat West to leave full-year profits slightly down at £523.5m.

Upsetting calculations has been the dull performance of Barclays Bank International particularly when compared with the more buoyant overseas contributions at Nat West and Lloyds. Up by a quarter in the first six months, BBI's pretax profits in the second six months slipped marginally to leave the full year up from £137.7m to £159.5m.

With the South African subsidiary accounting for some £9m of this £22m gain, it seems clear that the group's expanding United States operations have had a lacklustre time although adverse exchange rates depressed profits

Otherwise the domestic side has been hit by the same factors as at the other clearers with lower interest margins, sharply higher specific provisions and the rise in interest-bearing deposits contributing to an 11 per cent drop to £290.5m in the parent bank's pre-interest contribution. Indeed, Barclays seems to be taking a more nervous stand towards bad debts with the overall charge to the profit and loss account rising from £55m to £130.3m concentrated mainly in specific provisions in the parent bank, raising important questions for shareholders and depositors that their money could be being used to fund increasingly risky lending to United Kingdom industry.

Historical profits for the clearers are inevitably on the way down but if inflation abates the monetary working capital adjustments could well result in higher current cost profits this year. At the moment Barclays dividend, where the 20 per cent increase on the enlarged capital is par for the course, is covered nearly three times by CCA profits and the free capital ratio of 4 leaves scope for balance sheet expansion, although the 6½ per cent yield at 406p reflects its premium rating in the sector.

● *The full balance of payments figures for 1980 put the net outflow on capital account at £1,221m, compared with an inflow of £982m (before a positive balancing item of £2,358m) in 1979. A feature of this turnround was the increase in United Kingdom portfolio investment overseas from £888m to £2,776m.*

Although a good part of this occurred in the second half of the year, it must be assumed that there must still be plenty of money that will cut and run in the event of a substantial United Kingdom interest rate reduction. While that may have a direct contractionary impact on the money supply, it is unlikely to make life any easier for the monetary authorities or investors at the longer end of the gilt-edged market.

Davy Corp

Potential remains 'excellent'

To read Davy Corporation's interim statement one would never guess that it is under assault from the United States Enserch Corp, the bid having been referred to the Monopolies Commission earlier this week. There is no mention of either fact.

Profits, though, are much better than expected and are up by a third so far to just over £6m on slightly reduced turnover.

The group's potential, says Davy looking over its shoulder perhaps, remains "excellent", and the balance sheet remains strong.

A point of course is that is all looks defensive—and reasonably so—but it is worth remembering that in normal circumstances plant contractors like Davy, who are by their nature involved in long-term work, would be anxious to point out that interim figures are often misleading and should not *necessarily* be taken as an indication of the outcome for the year. However, despite the recession, Davy has indicated better *profits* and the interim dividend is held. All of which—along with the possibility that the Monopolies Commission might allow an Enserch bid—helped the shares up by 4p to 152p.

Euro Ferries: Sealink

Nothing ventured...

Much secpticism greeted last December's announcement from European Ferries that it wanted to bid for Sealink.

It is no surprise then that the proposal has been referred to the Monopolies Commission given the market muscle a merger would create but European Ferries can be more than satisfied the proposed merger of

Mr John Biffen, Secretary of State for Trade: his third important Monopolies' referance.

the two ailing hovercraft companies, Hoverlloyd and British Rail's Seaspeed has also been referred.

European Ferries, whose profits from shipping probably more than halved last year from 1979's to £16.6m, would obviously like to buy Sealink to form a potentially highly profitable business with an almost unassailable market position.

But failing this the last thing European Ferries wants is the two hovercraft companies put together in a revamped form

It is now awkward for the Monopolies Commission or the Government to justify the hovercraft merger but then say no to European Ferries. There is also thought to be some sympathy in the Government with the idea of allowing Mr Wickenden, who is after all a Tory MP and fervent free-marketer, to take over Sealink, especially as such a deal would be likely to raise more than a share placing.

Either way Mr John Biffen, the Trade Secretary, may have a difficult choice with the outcome of his third important reference to the Commission recently

● *The Commons' Treasury and Civil Service Committee (much helped by its band of academic advisers) has accomplished a major feat in producing its weighty dossier on monetary policy in the United Kingdom. Nor is the report any the less important for the fact that it states the obvious, namely that the objectives set out in the Medium Term Financial Strategy were over-optimistic and that greater flexibility of approach would be wiser in future. The Committee's investigation has been a thorn in the side of Treasury ministers and that, by and large, is no bad thing.*

Where the committee refuse to be drawn collectively is on what might have been the outcome had the government pursued a true monetarist policy

Obviously there are individual views on what might have happened, and they vary considerably. All that, however, is an area of speculation. What the report says, in effect, is that anything approaching a classical monetary policy cannot work in the United Kingdom given the imperfections and limitations of the market clearing mechanism. But while that situation cries out for a degree of fiscal and monetary flexibility, it clearly cannot be taken as an excuse for laxity. The question, once again, is whether monetarism alone is enough.

Mutual funds and the upheaval in American banking

Frank Vogl

Washington

Money market mutual funds (kinds of unit trusts which specialize in investment in money market instruments) barely existed in America a couple of years ago; but now the volume of cash managed by them will soon reach $100,000m. Brokerage houses and investment management institutions are becoming the big deposit gatherers in America and the banks are being left out in the cold.

The funds have grown so rapidly in size because they can offer a market-related rate of interest on deposits, while the arcane *American banking laws* severely limit the interest which the banks can pay.

Mr William Donoghue, the foremost analyst of money funds, puts it pithily: "Traditional savings accounts can be *hazardous to your wealth,*" he writes. "Even the banks are admitting it. With double-digit inflation fuelling the interest rate roller-coaster, letting your cash sit in an ordinary savings account is like buying tickets on the Titanic".

For investors the funds are a hedge against inflation; for the fund managers the key to *a new prosperity; for the* banks they are a nightmare; and for bank regulators, and indeed for the controllers of the money supply, a headache.

In Utah, Georgia and other states the legislatures are now considering Bills to restrict the funds and thereby protect their local banks. In Washington, too, congressmen are promoting Bills to curb the funds.

Representative Jim Leach of Iowa, for example, argues that they add to inflation and *should be controlled by the* Federal Reserve Board. They are, he says, "particularly damaging to small rural-oriented financial institutions".

The funds are not subject to ceilings on interest rate payouts, while the banks are. They can gather deposits across the country, while banks are allowed branches in only a single state. Not only are the funds changing the money management habits of large numbers of Americans, with the number of fund shareholders now in excess of five million, but they are serving as a major stimulus to what could well be the greatest banking reforms in the United States in half a century.

Most money market mutual funds are set up as independent companies investing in short-term *money market instruments* and paying out all their earnings, except for expenses, to their shareholders. Normally, they contract with a seperate entity, the investment adviser, who manages the fund and earns roughly a half of 1 per cent of total fund assets.

There is no front-end commission loading when a shareholder joins a fund and interest is compounded daily. To make the funds attractive many managers offer shareholders the opportunity to write cheques against their deposits in the funds in much the same way as cheques can be *written* against a bank account. The minimum deposit can be $1,000, or even less in some cases.

Some funds are organized by mutual fund companies, such as the New York Dreyfus Group, while others are run by the big brokerage houses like Dean, Witter, Reynolds and some are run by specially set-*up groups who sell shares only* to selected investors, say large pension funds or trade union members. The funds are regulated by the Securities and Exchange Commission.

Shareholders can usually withdraw their deposits almost instantly. The funds charge no commission to shareholders and, unencumbered by the restrictions which surround the banks, *they have been proving* enormously attractive to small investors.

In 1974 the total volume of cash managed by the funds was $1,700m, which had risen by the end of 1978 to $10,700m. Then *interest rates began to soar and* the funds took off.

By the end of 1979 they were managing $45,100m and 12 months later the total was $74,500m. In the last few months it has grown another $20,000m.

As the size of the funds has grown, so have fears about their liquidity and their ability to meet huge redemption demands if interest rates plummet. The funds have responded to this by cutting the average maturity *of fund portfolios to less than* 30 days. It was 48 days in 1979 and 64 days in 1973.

By and large the money market funds are prudently managed. Roughly a third of the cash is invested in commercial paper, with about a quarter in bank certificates of deposit and about a sixth in bankers' acceptances and repurchase agreements. Less than a *tenth of* the funds is invested in Eurodollar certificates of deposit and smaller amounts are in *Treasury bills, United States* securities and other instruments.

The average yield to shareholders last year was 12 per cent; today it is about 17 per cent. In contrast the banks can pay only 5 to 5.5 per cent on *deposits that can be instantly* withdrawn without penalty.

To stem the outflow of cash to the money market funds the banks have increased their advertising and are offering some new services and high yielding six-month certificates of deposit.

The small banks, particularly the savings and loan institutions (the American equivalent of building societies) have been the hardest hit. But even the big banks see the development of these funds as a formidable challenge.

For many brokerage houses the funds have opened the door into areas of money management which used to be the exclusive *preserve* of the banks.

For example, many companies, big and small, are now using the funds for cash-flow management and the funds frequently offer better yields than the banks on certificates of deposit. The 30-day average maturity of the funds means that their average yield falls more slowly that does the yield on a bank certificate of deposit when money rates are declining.

Short-term United States rates have been falling since the start of this year and, as they have done so, so more and more cash has gone into the funds from institutions.

Brokers have been using the funds to gather deposits in the hope that in time shareholders *will be interested in moving* some of their cash from the money market funds into securities. Companies like Merrill *Lynch are rapidly developing* "cradle to grave" financial services, offering real estate investment and brokerage along with every other type of investment; the ability to offer instant cash deposits and cheque *writing* is a vital *element in* this.

The brokerage houses have no geographical restrictions on where they can do business across the country and the big houses have branches in every *state in America.* In the age of instant communication and easy long-distance travel the limitations of the retail business of the banks to single states seems antiquated.

The pressures on Washington to start removing barriers to national banking are therefore growing. Mr John Heimann, the Comptroller of the Currency, seems to be in favour of national banking and has been subtly using his powers to this end. State bank superintendents see him going too far and fear that they may be put out of business. Mr Heimann was recently sued by the state bank supervisors over this issue of national banking—an instance of the pressures in the United States financial system today.

The Federal Reserve Board will soon have to come to some *decision about the funds.* Their activities complicate the gathering of information about the money supply and there is no means at present of setting reserve requirements for the funds and bringing them fully into the central bank's sphere.

Mounting congressional pressure on the Fed may force it to act. But it is reluctant to *move too fast, knowing that the* money funds are big business and that they will not easily allow themselves to become as ensnared in rules and regulations as the banks have become.

Technology

Flights of ingenuity...

Aero-engines in present-day airliners are patently less noisy and less thirsty than their predecessors; their benefits in environmental acceptance and *fuel-saving are well established.*

But it is not a case of new wine in old bottles: advances in technology in the aircraft which are powered by those engines include significant new approaches in aerodynamics, structures and systems.

In Europe, Britain's British Aerospace 146 and Airbus Industries' A310 Airbus, both now under development, illustrate new concepts in aerodynamics and systems. In the *United States (though with* Northern Ireland connexions) the small Lear Fan 2100 could be the precursor of larger civil machines built of carbon-fibre.

In an address to the engineering sciences division of the Institution of Mechanical Engineers earlier this week Mr Brian Botting, a director of British Aerospace, outlined the main, areas of technological advance in civil aviation in the 1980s.

He related these to the market for short-haul and medium-haul airliners in particular, where, even assuming a decreasing rate of growth in world passenger traffic (to between 10 and 5 per cent a year), large numbers of new aircraft would be needed by the airlines between now and 1995.

For the aircraft manufacturer, the six main areas of new technology are aerodynamics, "active controls", structures, systems, the flight deck and production. In aerodynamics, refined wing designs include those of the A310 version of the European Airbus and the smaller BAe 146.

A trend towards thicker wings has led to more options in the design of the aircraft; there is more scope for varying the geometry of the wings in order to obtain greater aero-*dynamic efficiency.* The other side of the coin is that the

The British Aerospace 146: illustrating new concepts in aerodynamics and production techniques.

wings are more difficult to manufacture.

Wing flaps and other devices can raise the "*lifting power*" of the aircraft, expressed in terms of the maximum lift coefficient, or the ratio of the lift of the aircraft to its drag. This in turn gives such benefits as shorter take-off and landing *distances,*

"Active controls" is the phrase used to describe the addition of automatic control of aerodynamic surfaces (eg, ailerons), so that abnormal flight loads can be eased and *the stability of the aircraft can* be augmented.

This enables the weight of the structure to be reduced, the wingspan to be increased or the tail area to be reduced, in each case raising the flying *efficiency of the aircraft.*

In structures, significant weight savings are becoming possible through the adoption of advanced composite materails (such as carbon fibre) and, to a lesser extent, through improved light alloys. Carbon fibre composites can give typical weight savings of about 30 per cent.

On the existing A300 version of the Airbus, small parts of the aircraft have been made of carbon fibre and incorporated experimentally.

But of the aircraft whose structures are known, the new Lear Fan 2100—a seven-passenger, high-performance business aircraft powered by two gas turbines driving a rear propeller—is the most daring. *Its* airframe is made entirely of carbon fibre. (Of those aircraft whose structures are *not* known, *Flight International* has speculated, Lockheed's experimental military Stealth aircraft, intended to be virtu-*ally transparent* to radar, is doubtless the largest carbon-fibre aircraft now flying.)

In the systems aboard the aircraft of today—electronics, air-conditioning, de-icing, braking, electrics and hydraulics—various specialized advances are contributing to better performance, greater reliability and economy.

Digital techniques, and in particular the ubiquitous microprocessor, are giving a higher degree of automation on the flight deck. The A310 airbus will offer a radically new and more flexible presentation of flight information for the pilots, based on cathode ray tube displays in place of conventional instruments.

Fibre optics offer good potential for data transmission aboard the aircraft, with reduced electrical interference and increased safety.

Finally, the sort of advances in *production* that are taking place are well illustrated by present practice on the BAe 146. "Improved production must begin at the design stage", Mr Botting commented. The main change in overall approach is a determined effort to simplify the structure, using many fewer parts (more of them machined, rather than assembled from "bent tin") and simpler connexions.

Thus the airframe advances come together with the improved engine efficiencies. The refined wing designs, the new materials, the techniques of active controls and the more precise control provided by the automated systems—taken together with the parallel advances in engine design—can cut fuel consumption by about 25 per cent, compared with that of previous conventional aircraft.

Kenneth Owen

Business Diary: Bottom dollars • Reagan's Carter su rvivor

Businesspeople booking executive class (British Airways calls it "club", Pan Am "clipper" and TWA "ambassador") on North Atlantic flights seem at last to be getting value for the not inconsiderable money they pay in fares. All three airlines are giving them more room to stretch their legs and elbows.

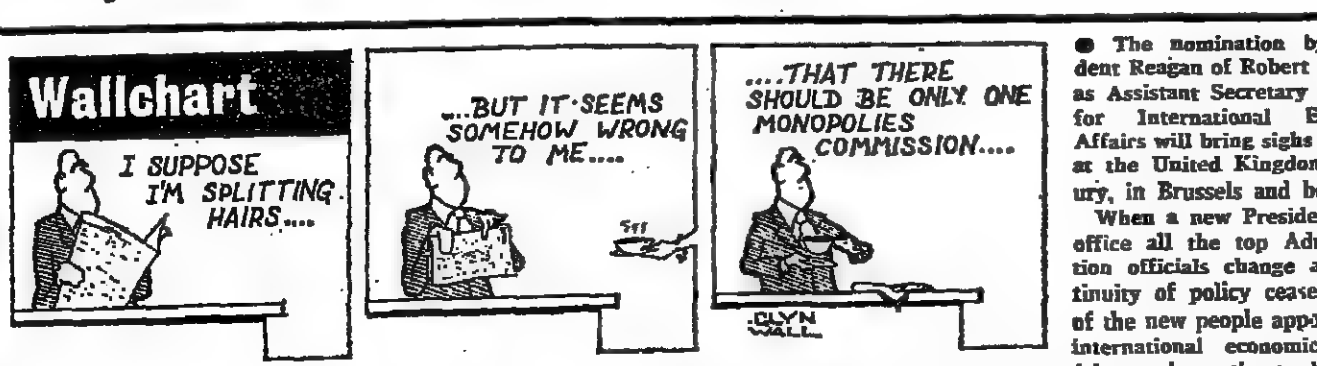
When the class was introduced, many airlines thought that they could get away with putting businessmen in the same sort of seats, and with the same number across the aircraft (often as many as ten or 11), as the cut-price travellers in the rear economy section.

Promises were made to retain the centre seat of each three empty so that flying executives could spread their papers, but often this ideal was not achieved. The result was that the business travellers started to defect to the cheaper back seats.

This has hurt the airlines, since what money is to be made these days is made from the North Atlantic business and first-class cabins.

TWA has gone over to six-abreast, using seats that used to be in the first-class cabin (all the transatlantic airlines are installing big lounger chairs in their first-class section), while Pan Am is going eight-abreast, with a new chair specially designed to cradle the lumped executive.

And BA? It is likely, I hear, to announce next week that it is to go six-abreast, too, with a new type of seat.



● Stone Platt, the troubled textile machinery manufacturer, has turned to ICI for a group treasurer.

He is Ian Barr, 47, who has been with *ICI for 20 years,* latterly as a manager in the treasurer's department at ICI's headquarters at Millbank, London, where he specializes in North America and Mexico.

Neither Barr nor Stone Platt chairman Leslie Pincott was available for comment last night.

The appointment is seen as part of Pincott's retrenchment plans for Stone Platt. Pincott *himself is a recruit from the* Blue Chips, having been until three years ago a managing *director* of Esso Petroleum.

Pincott became chairman last November, taking over special responsibility for group finance with chief executive Robin Tavener he is rounding off a period that has seen the sale of the pump and propeller divisions to concentrate on the textile and electrical business.

Barr used *to be finance* director of Howard Farrow, a builders in which ICI had an interest.

● Jordans' latest survey of top Scottish companies updated *from 1978, will disappoint* readers expecting an exciting list of ethnic names.

Top of the profits list are those familiar beasties, Distillers, Burmah Oil, Coats Patons, United Biscuits, for this is a list of the two largest of the 38,000 companies registered in Edinburgh, and trading where they will. *Future editions* may benefit from the Scottish company registration bulge of 1979-80, when the Englis registries went on strike and new companies flocked to sign up over the border.

The rash of new oil service companies erupting around Aberdeen are mostly still too small to show up in *this survey,* though if Star Offshore is any guide, graduation to the top 500 *is no guarantee of success*: Star turned round from a £1.95m profit in 1978 to a £3.9m loss in 1980.

Jordans says the survey indicates a better performance from Scottish industry than British industry in general.

* *Scotland's Top 500 Companies 1981*, Jordans (£15).

● Two British executives have been appointed corporate officers of Cummins Engine Co, based in Columbus, Indiana, the world's biggest independent maker of diesel engines.

They are John Macfarlane, 50, and Michael Howell, 33, who become respectively vice-president United Kingdom operations and vice-president European businesses.

Macfarlane, a manufacturing man, joined Cummins at its Shotts plant 13 years ago and will be responsible for the plant there, as well as those at Peterlee and his headquarters, Darlington.

Howell, a marketing man, joined Cummins only five years ago but has already served in the United States and Belgium, as well as in the United Kingdom.

He will be based at Cummins's London HQ and will be responsible for directing and coordinating the Cummins marketing strategy in the United Kingdom and Europe.

The biggest maker of diesel engines is Perkins, now part of the huge Canadian group, Massey Ferguson.

● The nomination by President Reagan of Robert Hormats as Assistant Secretary of State for International Economic Affairs will bring sighs of relief at the United Kingdom Treasury, in Brussels and beyond.

When a new President takes office all the top Administration officials change and continuity of policy ceases. Many of the new people appointed to international economic policy jobs, such as the trade representative, William Brock, or the Treasury's top man, Beryl Sprinkel, are new to international affairs.

Hormats, however, is an incredible survivor, and by far the most experienced foreign economic affairs official, which is perhaps why the White House overlooked his service under Jimmy Carter, latterly as special trade representative with ambassadorial rank.

Hormats will be in the thick of things in the State Depart-*ment the United States develops* international economic negotiations, a new North-South strategy, grapples with Japanese exports and heads for international economic summits.

I am told that at a recent council meeting in the north of England a councillor suggested that the lake in a municipal park would be improved if it were to be graced by a gondola. Apparently, the mayor said: "Aye, that's a good idea. We could get two and breed them in Pets' Corner."

Ross Davies

Stock markets

All quiet as investors await Budget

Investors decided to close their remaining positions yesterday and wait for the Budget before making their next move and activity in the market dropped off sharply.

Dealers spent much of the time yesterday speculating on the Chancellor's proposals and trying to assess their immediate consequences. Nevertheless, in spite of the reduction in turnover, selling pressure was minimal and leading equities were left to trade in narrow limits. Most ended up all square on the day. This was reflected in the *FT* Index which, having been 0.4 down at 10 am, rallied to register a rise of 0.1 at 1 pm, before closing 3.8 lower at 496.2.

The story was similar in Government securities where the new tap Treasury 3 per cent 1986 made its debut, encountering only light support and closing unchanged at £69½.

Elsewhere in longs, prices opened unchanged on overnight levels holding their own until after hours when falls of £¼ were registered. At the shorter end, early losses of around £⅛ were extended to around £¼ at the close.

The quiet conditions were also clearly mirrored among blue chips where jobbers complained about the lack of interest. **Distillers** led the way down with a 4p fall to 186p. But in spite of one or two nervous offerings all the selling was contained. **Glaxo** fell 2p to 280p, **Fisons** 2p to 136p and **Lucas Industries** 3p to 141p. **Thorn EMI** fell 4p to 302p on adverse publicity and talk of a bearish broker's circular, which failed to materialize. **ICI** recovered some of its recent weakness, rising 2p to 252p, along with **Metal Box**, 4p higher at 184p,

Intriguing times for Reardon Smith. Brokers W. N. Middleton were said yesterday to be trying to place a line of about 100,000 'A' shares on behalf of a client at 175p. News of the deal saw jobbers on the defensive and the shares immediately plunged 16p at which point the line was withdrawn. The shares eventually closed 10p lower at 168p.

but **GKN** dipped another 3p to 141p. Dealers report continued selling of shares in GKN with several hundred thousand changing hands in the last few days.

Lower profits and a reduced dividend saw **Campari International** drop 5p to 46p with **Staffordshire Potteries** falling 3p to 48p for a similar reason. Disappointing trade news also knocked 4p from **Bogod-Pelepah "A"** at 15p, while **Thomas Jourdan** lost 2p to 91p and **Comben** 2p to 46p. Interim figures from **J. Bibby** trimmed the shares 10p to 274p, while **S & W Berisford** eased 9p to 163p and **Gill & Duffus** a similar figure to 168p in sympathy.

Results lifted **Mitchell Cotts** ½p to 49p, **Derek Crouch** 10p to 163p, **Kode International** 8p to 293p and **W. N. Sharpe** 25p to 268p, in a thin market.

The full-year figures from **Barclays Bank** proved uninspiring and the shares held steady at 408p immediately after the announcement. However, they drifted 2p to 406p at the close in line with the rest of the market. **Midland** held steady at 335p, along with **Lloyds** at 323p, but **National Westminster** shed 3p to 365p.

Insurance shares also failed to generate any business following the figures from **General Accident** earlier in the week, which closed 2p off at 322p. **Commercial Union** were 1p easier at 157p, **GRE** 4p lower at 342p and **Royal** 8p at 380p. But the weak pound continued to inspire the brokers with **C. E. Heath** 5p stronger at 228p, **Minet Holdings** 3p higher at 105p, **Willis Faber** 10p at 308p and **Sedgwick Group** 2p at 133p.

Leading electricals held reasonably steady while speculative attention was focused on several second liners. **Diploma** rose 5p to 180p, following recent figures, while **Currys** hardened 8p to 343p.

Speculative support lifted **M. L. Meyer** 3p to 86p, **A. Monk** 3p to 30p, **Amos Hinton** 4p to 96p, **Renwick** 4p to 89p, **Roberts Adlard** 8p to 103p, **Sangers** 7p to 62p, **Roban Group** 15p to 140p, **East Lancashire Paper** 4p to 57p and **Malakoff Berhad** 11p to 151p.

Davy Corporation, where the Enserch bid has just been referred to the Monopolies and Mergers Commission, rose 4p to

Institutional investors appear to be taking a keen interest in shares of property and construction concern Crouch Group, whose shares have risen 6p this week to 156p. Word is that behind the "genuine" buying taking place someone is building up a sizable stake, which might be the prelude to a full scale bid.

152p after figures while **Ransome Simms** added another 5p to 161p on the back of recent profits news. But **F. Pratt** slipped 1p to 113p over the recent sale of Bardsey's 12 per cent to the 600 Group

Equity turnover on March 5 was £155.314m (19,807 bargains). Active stocks yesterday, according to the Exchange Telegraph, were J. Bibby, Cons Gold, Bardsey, Sangers, WN Sharpe, Reardon Shipping "A", Thorn EMI, De La Rue, Muirhead, Unitech, Davy Corp, Bakers Household, Tomatin Distillers, Doornfontein, Charter Cons, Home Charm, MAM's, Booker McConnell, Royal Insurance, Derek Crouch, Kode International, Willis Faber, Stenhouse, KCA International, Debenhams, S & W Berisford and Stewart Wrightson.

Traded options: A total of 539 contracts were made yesterday. Consolidated Gold attracted 41, Commercial Union 45, ICI 98, Lonrho 32, Lasmo three and GEC seven.

Traditional options: Dealers reported quieter conditions. Calls were made in Campari International at a rate of 6p, Debenhams at 7p, Double Eagle at 45p and Reardon Smith "A". Puts were arranged in Lucas, Reardon Smith "A" and Arrow Chemicals. Doubles were completed in Reardon Smith "A" at 32p and Double Eagle.

Latest results

Company Int or Fin	Sales £m	Profits £m	Earnings per share	Div pence	Pay date	Year's total
Barclays Bank (F)	—(—)	0.52(0.52)	124.2(125.4)	9.25(8.54)	14/5	18.5(15.4)
Baker Elec (I)	0.76(1.2)	0.08(0.09)	—(—)	—(—)	—	—(—)
J. Bibby (F)	89.9(88.0)	10.8(9.7)	19.98(18.61)	4.92(4.25)	—	7.12(6.25)
Bogod Pelepah (I)	3.06(2.5)	0.03(0.22)	—(—)	—(—)	—	—(—)
Campari (I)	12.04(12.23)	0.29(0.74)	2.0(4.4)	1.0(1.9)	21/4	4.0(4.0)
Comben (F)	52.5(51.0)	5.75(5.0)	14.1(12.3)	1.35(1.35)	19/5	2.5(2.5)
Derek Crouch (F)	65.7(51.4)	3.04(1.39)	14.68(5.84)	3.4(3.1)	3/4	5.05(4.59)
Family Inv. (F)	—(—)	0.27*(0.26*)	6.36(5.92)	3.6(3.5)	7/5	6.0(5.5)
Gencor (F)	2,114§(1,256§)	406§(218§)	353§(235§)	100§(—)	16/4	150§(100§)
Thos Jourdan (F)	6.76(3.45)	0.7(0.34)	8.47(4.55)	3.5(1.0)	—	5.25(4.2)
Kode Int. (F)	10.4(8.5)	1.41(1.25)	23.3(17.4)	4.37(4.37)	—	6.69(6.58)
Law Debenture (F)	—(—)	1.5(1.47)	8.47(8.12)	4.75(4.5)	17/4	7.25(6.5)
Mitchell Cotts. (I)	159.7(128.7)	3.58(2.9)	1.65(1.74)	0.65(0.65)	11/5	—(3.61)
Rea Brothers (F)	—(—)	0.75†(0.6†)	—(—)	1.27(—)	14/4	2.0(—)
Robinson Bros (F)	11.5(12.14)	0.22(1.4)	—(—)	—(—)	—	—(—)
W. N. Sharpe (F)	—(—)	5.1(4.4)	37.2(28.9)	4.0(3.5)	—	7.0(6.0)
Staffs Potts (I)	8.46(7.07)	0.59‡(0.3)	10.5(4.92)	—(1.13)	—	1.0(1.13)
Tavener Rutledge (F)	6.64(6.64)	0.08(0.14)	—(—)	Nil(Nil)	—	Nil(Nil)
Trans-Oceanic (I)	—(—)	—(—)	—(—)	2.5(2.5)	6/5	—(—)

Dividends in this table are shown net of tax on pence per share. Elsewhere in Business News dividends are shown on a gross basis. To establish gross multiply the net dividend by 1.428. Profits are shown pretax and earnings are net. *Net Income. †Net. ‡Loss. §Rand and cents.

First-half loss at Staffordshire Potteries

By Margareta Pagano

Falling demand, massive destocking and short-time working saw Staffordshire Potteries fall to a pretax loss of £595,000 in the six months to December. The interim dividend has been passed.

This collapse of profits follows the fall begun last year when profits went from £1.24m in 1979 to £312,000 in June 1980. The final dividend was passed. The interim dividend last time was 1.6p gross. In spite of increased sales of £8.46m, a trading loss of £119,000 was recorded before interest charges which nearly doubled to £476,000.

The losses were made entirely by the dinnerware division, which normally accounts for 50 per cent of sales 30 to 40 per cent of profits. The downturn in orders hit the group last spring and continued through the year. A three to four-day working week and destocking were introduced to rid the division of some £1m worth of stocks. Full production is now back at 95 per cent of the plants but destocking is expected to go on until April.

The division is now developing a "cook and serve" stoneware range which should be in retailing outlets in four to five weeks.

Mr William Bowers, the chairman, expects that losses will again be recorded in the year to June but believes that the group will be trading profitably in the last few weeks. The group's main priority has been to reduce working capital and this has helped to maintain the cash flow and contain borrowings.

Total borrowings, which last year increased from £2.45m to £5.16m, are now higher by £100,000. The resumption of dividend payments is being given priority and a decision over the final will be taken later in the year.

Commemorative ware for the royal wedding will be an additional filip to trade and the group has already two ranges in the pipeline.

Taunton Vale, acquired in 1979, has proved profitable

Bibby tops expectations with 11pc rise for year

By Rosemary Unsworth

An improved performance from edible oils enabled J. Bibby, the Liverpool-based agricultural and industrial group, to boost profits by 11 per cent last year.

Pretax profits rose from £9.7m to £10.8m, slightly above market expectations, while turnover climbed marginally from £188m to £189.9m in the 52 weeks to December 27. The final dividend by nearly 16 per cent to 7p gross, which, with the interim increase, gives a total improvement of 14 per cent at 10.2p compared with the previous year's 8.9p.

The share price, which at 284p before the announcement was close to its 12 month high, slipped 10p to 274p after the news, putting the group on a yield of 3.7 per cent.

Edible oils' contribution improved partly because the previous year's results were unduly depressed by the transport strike and because of the development of the group's oil seed crushing process. Productivity was also better and costs have been reduced.

Mr Leslie Young, chairman of J. Bibby.

The industrial side was also helped by the purchase of the 60 per cent of Sterilin equity that was not already owned. This hospital and laboratory supplies division has been expanded since the acquisition last year.

But the gains in that division were partly offset by a lower trading surplus from paper and converted products, which suffered from the industry's decline although packaging was a lesser victim. Mr Le[slie] Young, chairman, pointed [out] that margins in parts of [the] operation had suffered altho[ugh] volume had held up. The rise [in] the value of sterling had hel[ped] the purchase of raw materi[als].

On the agricultural s[ide] which contributes nearly [two] thirds of group business, fe[ed] and seeds had produced a [sub]stantially higher re[sult] although the overall fe[ed] market has shrunk by abou[t] per cent. New mills and ot[her] capital investment w[ere] responsible for the upt[urn] while the group's 90 per c[ent] dominance of the rape s[eed] market had benefited [illegible] of the division.

Turkeys, however, pro[ved] more difficult with French [and] American birds keeping pr[ices] down, but Bibby is develop[ing] its processed turkey mar[ket]. Pig production also had a successful year despite the [sale] of the sausage and day [old] chicks companies last year.

Interest charges fell fr[om] £850,000 to £520,000 with [bor]rowings down at £4m aga[inst] about £6m in 1979.

Gencor doubles profit in first full year

By Michael Prest
Mining Correspondent

In the first full year since the merger of General Mining and Union Corporation into Gencor, the group earned pretax income of R406m (£233m), approximately double the 1979 outcome. The final dividend is 100 cents, making 150 cents for the year, against 100 cents in the previous year.

Much higher gold prices and better uranium sales were the chief reasons for the sharp increase. The average gold price received was $614 an ounce, a rise of $305. The directors say that it is impossible to predict the gold price this year, but expect it to vary between $450 and $600.

Because of the merger it is difficult to make exact comparisons with the 1979 results. Gencor offers two sets of figures: the actual results achieved by the two companies, and a pro forma statement of what would have happened had the merger been effective from the beginning of 1979.

Actual profits and dividends in 1979 were R218m and 100 cents respectively. The pro forma position would have been R331m and 89 cents. The increase in earnings attributable to shareholders is the biggest change. The 1980 result was R270m, against an actual 1979 figure of R98.5m and a pro forma calculation of R153m.

Kode rise falls short of forecast

By Peter Wilson-Smith

The Government's mora[tor]ium on defence spending [and] reduced demand for compu[ter] peripheral equipment impe[ded] growth at Kode Internatio[nal] during the second half. Pre[tax] profits for 1980, although [13] per cent higher at £1.41m, [fell] short of the substantial [im]provement the group [was] expecting last August. T[he] shares firmed 3p to 293p a[fter] the results. The final divide[nd] has been maintained, leav[ing] the year's total slightly up fr[om] 9.40p to 9.56p gross, to give [a] yield of 3.3 per cent.

Subject to economic c[on]ditions, Kode is reasonably c[on]fident about this year and [Mr] Terry Darlow, the chairm[an] said that orders were high[er] than a year ago. He said th[at] Kode was still looking [for] acquisitions but the right co[m]panies were hard to find. T[he] group's cash balances—£796,[000] at December 1979—were up [at] the end of 1980.

A once-off release of defer[red] tax reduced the 1980 [tax] charge of £492,000 by £118,0[00]. Because of this earnings [per] share have risen from 17.4p [to] 23.3p instead of 20.6p with[out] the release. Reserves rose [from] £776,000 to £3.5m. Turnov[er] rose from £8.5m to £10.4m.

Kode's main problem was Kode Ltd, the computer pe[ri]pheral manufacturer, whi[ch] made losses in the second hal[f]. Conditions remain difficu[lt]. However, leasing and servic[ing] of computer equipment a[nd] the components companies met or exceeded budget. T[he] components side includes Ka[...] which makes highly-technolo[gical] printed circuits for the co[m]munications industry.

Interim cut as Campari slides

Campari International, [the] mass market leisure, camp[ing] and inflatable boat equipme[nt] group, is still in full retre[at]. In the seven months to Dece[m]ber 31 pretax profits plung[ed] from £737,985 to £285,9[...]. Turnover fell from £12.2m [to] £12m and the interim divide[nd] has been cut from 2.7p gross [to] 1.43p. The shares fell 5p [to] 46p.

Campari is expected to ma[ke] around £600,000 agai[nst] £931,000 in the year to M[...]

Emirex to raise £10m in London

After the recent crop of North American drilling funds, a Middle Eastern oil exploration fund will be raising just over £10m in London next month. Mr Kenneth Fellowes, an oil geologist living in Dubai, has been waiting for new concessions to open up in the Middle East for four years. Last year he stepped in to mop up what he could for his new company, Emirex.

Mr Fellowes owns half of Emirex and investment house Emslie has the rest. Now Charterhouse Japhet and stockbroker Carr Sebag have been set to work to raise further capital and apply for a Rule 163 listing.

European Banking ends year 26pc up

European Banking Company, the London-based consortium bank, owned by the EBIC group of banks, whose British member is the Midland Bank, has reported a 26 per cent increase in pre-tax profits for 1980. It made £2.77m, as against £2.19m, in 1979. Mr P.-E. Janssen, the chairman, says in his annual report that the improvement was achieved without significant expansion of the bank's medium-term lending.

Thomas Jourdan leaps 106 per cent

Thomas Jourdan, makers of trouser presses, children's bedding to special purpose machines, made a record 106 per cent increase in pre tax profits to £709,000 in the year to December.

Sales were also higher at £6.76m, and the final dividend has been lifted by 25 per cent to 5p gross, making a total payment of 7.5p gross for the year against 6p.

A £1.5m order to supply the Soviet Union with 40 inner tube splicing machines by Midland, the group's engineering concern, boosted profits in the year turning the loss last time of £28,000 into trading profits of £329,000.

Approval sought for takeover of Inveresk

Shareholders in Inveresk will be asked at a meeting on March 30 to approve a scheme of arrangement enabling an agreed £7.1m bid for the group from Georgia-Pacific of the US to go ahead. In offer documents detailing the 35p-a-share bid out yesterday G-P outlines assurances that Inveresk's activities will continue substantially as at present.

Rea Brothers gives scrip

The board of merchant bank Rea Brothers proposes a one-for-five scrip issue. The net profit for 1980 rose from £601,000 to £750,000 after making a transfer to inner reserves. The gross dividend is held at 2.85p on increased capital.

Overseas interests lift Comben

Comben Group, the Bristol-based housebuilding concern, pushed up profits last year by 15 per cent but is maintaining its total dividend at 4p gross because of the present economic uncertainties.

Pretax profits rose from £5m to £5.75m and turnover was virtually static, going from £51m to £52.5m in the 12 months to December 31. Overseas earnings increased substantially during the period, rising from £336,000 to £1m, with about £700,000 coming from the group's French side and the balance from Portugal.

United Kingdom earnings before interest charges rose from £7.1m to £7.3m, while the interest charge increased from £200,000 to £2.6m. Borrowings during the period rose from £8m to £12m although gearing remained at 50 per cent with increased equity.

Two new sites have been acquired in Houston, Texas, as well as three additional sites in Portugal and France. Comben hopes to complete 60 houses in the United States this year, 60 in Portugal against 44 and 70 in France compared with 54.

The UK is expected to remain steady at about 1,500 units. The group, a 47 per cent associate of Carlton Industries, warns shareholders that the first-half results will not be as good as the second half, which stands to benefit from any cut in MLR next week.

The group's land bank also increased with the acquisition of 725 undeveloped plots with 142 under construction, from Wiggins Construct last year for £6.6m. These sites are in Hampshire and East Anglia.

Coopers raise Whitley Bay stake to 27 pc

The husband and wife team from the north east, Mr and Mrs Claude Cooper, who announced a few weeks ago that they would like to bid for Whitley Bay Entertainments, yesterday increased their stake to 27 per cent.

They paid 300p a share. Some 77,900 shares were bought directly from shareholders in Whitley Bay, which is on the unlisted securities market, and the remainder were purchased in the market.

A spokesman from the Coopers' stockbrokers, Wise, Speke, said that although they were instructed to buy up to 25 per cent the Coopers' then decided to consolidate their position.

S African contribution boosts Mitchell Cotts

By Catherine Gunn

Trading, transport and engineering group Mitchell Cotts reports interim pretax profits to December 31 of £3.58m, up by a fifth thanks largely to a full six-month contribution from the South African company Clifford Harris, bought in March, 1980.

Economic problems in Britain and Europe meant lower profits from these areas, while group interest costs nearly 29 per cent higher at £2.77m reduced the pretax figure. Group sales rose by 24 per cent to £160m.

The group's second-half profits are unlikely to repeat the overall interim increase, since six months of Clifford Harris's figures were included in the comparable second half of last year. Possibly with this in mind, the interim dividend has again been held at 0.94p gross.

South Africa contributes roughly two-thirds of Mitchell Cotts's profits and last year brought in R7.97m (£4.4m) against R4.91m including around £1m from Clifford Harris. Trading in South Africa continues to be reasonably busy, Mr Philip Dunkley, chairman of Mitchell Cotts.

Mr Philip Dunkley, chairman of Mitchell Cotts.

Australia is also looking better across the board. "The companies are advancing their position in the market generally", Mr Dunkley said. In East Africa the joint tea estates company, 49 per cent held by the group and 51 per cent owned by the Ugandan government, is now at the reconstruction stage. It will be "at least a year" before any contribution to group profits is seen.

MMC and Straits form tin smelting company

Malaysian Mining Corporation (MMC), which is 28.6 per cent-owned by Charter Consolidated, is to set up a new tin smelting company in partnership with Straits Trading.

Straits Trading, a subsidiary of Overseas-Chinese Banking Corporation of Singapore, will put its existing tin smelting interests into a new company, to be called Malaysian Smelting Corporation (MSC). MMC will then take a 42 per cent stake, worth M$102m (£20m), in MSC.

It is hoped that in three years Straits Trading will offer 28 per cent of MSC to the Malaysian public through a quotation on the Kuala Lumpur Stock Exchange.

Ford to repay loans

Ford Motor said in Michigan it expected to repay soon a $400m (£182m) loan it recently obtained from its West German subsidiary. It will also repay up $800m borrowing from its British subsidiary within a year. The loans from both units are the second in about a year. Such transactions with foreign subsidiaries are commonly used by multinational companies to raise cash.

International

IIP rights issue

International Income Property is planning a one-for-one rights issue next month to raise $20m (£9m), Mr Gorardus Dusseldorp, chairman, said in the annual report.

The United States real estate trust has the ICI pension fund as one of its biggest shareholders. IIP's biggest asset is the Park City shopping mall, the largest in Pennsylvania, which it owns jointly with the British Post Office pension fund.

Ciba Geigy downturn

Ciba Geigy had a difficult 1980 with group net profit falling for the second consecutive year in spite of a 20 per cent increase in turnover, the company said in Basle.

The pattern of rising sales combined with falling profits was particularly characteristic of the dyestuffs, chemicals, plastics and additives sectors, Ciba Geigy said.

Briefly

Systime Limited, the Leeds-based computer manufacturer, reports that Ivory and Sime, of Edinburgh, has acquired on behalf of clients 36.18 per cent of Systime's shares at a price of £6.51m—putting a value on the company of £18m. New investors include an independent investment company which recently obtained a quotation as a high-technology investment trust.

Family Investment Trust: Total gross revenue for the year to January 31, 1981, rose from £446,000 to £488,000. Total gross dividend, 8.57p (7.92p).

Law Debenture Corporation: Pre-tax income for 1980 up from £1.46m to £1.53m. Total dividend (gross) up from 9.28p to 10.35p.

Hubbard and Kenning: Mr Fred Marks, a Nottingham partner in chartered accountants Peat, Marwick, Mitchell & Co. has been appointed receiver and manager of Hubbard and Kenning, the old established Leicester knitwear company. Mr Marks is trying to find a buyer for the company.

Butlin's, the holiday camps group which is now owned by Rank Organisation, has bought the Grand Hotel at Llandudno from Trusthouse Forte. The price is not being disclosed.

Britannia Australian Performance Fund has been launched by Jersey-based Britannia International Investment Management Ltd, a member of the Britannia Group of Investment Companies. Fund, formerly Schlesinger Far East Fund and which is quoted on the London Stock Exchange, aims for long-term capital growth from a managed portfolio of Australian shares with emphasis on energy, mining and resource companies.

Business appointments

Director named for Sainsbury's

Sir James Spooner has been elected to the board of Sainsbury's as a non-executive director. He is the first non-executive director to be appointed from outside the company.

Mr C. C. Anthony Glossop, an executive director of Redman Heenan International, has been made chairman of Fielding & Platt, and Redman Broughton, two of RHI's operating companies. Mr J. Ramsay Spence, a non-executive director of RHI, has been appointed an executive director of RHI's main board, and chairman of six of RHI's operating companies—Redman Fisher Engineering; Salt Engineering (Coventry); Mercia Engineering; Redman Engineering; Precision Engineering (Worcester) and its subsidiary, Computer Graphics.

Bank Base Rates

ABN Bank	14%
Barclays	14%
BCCI	14%
Consolidated Crdts	14%
C. Hoare & Co	*14%
Lloyds Bank	14%
Midland Bank	14%
Nat Westminster	14%
TSB	14%
Williams and Glyn's	14%

* 7 day deposit on sums of £10,000 and under 11½%, up to £50,000 12%, over £50,000 12½%.

SUMMARY BALANCE OF PAYMENTS

£ million

	1978	1979	1980	1979 1st qtr	1979 2nd qtr	1979 3rd qtr	1979 4th qtr	1980 1st qtr	1980 2nd qtr	1980 3rd qtr	1980 4th qtr
				Seasonally adjusted							
Visible trade (balance)	−1573	−3437	+1177	−1436	−524	−762	−775	−388	−320	+616	+1269
Invisibles (balance): Services	+3425	+3510	+3753	+832	+816	+839	+923	+977	+947	+864	+971
Interest, profits and dividends	+693	+663	−66	+375	+50	+313	−75	+19	−63	−17	−25
Transfers	−1839	−2206	−2107	−513	−534	−629	−630	−638	−646	−533	−330
Total	+2280	+1807	+1560	+744	+332	+573	+218	+458	+232	+254	+616
Current balance	+707	−1630	+2737	−692	−192	−189	−557	+70	−88	+870	+1885
				Not seasonally adjusted							
Current balance	+707	−1630	+2737	−1098	−310	+199	−421	−368	−228	+1150	+2184
Investment and other capital transactions	−3518	+982	−1490	+353	+822	+191	−374	−465	+278	−82	−1221
Balancing item	+1665	+2353	−55	+1429	+246	−93	+766	+1342	+197	−789	−805
Balance for official financing	−1126	+1710	+1192	+684	+758	+297	−29	+509	+246	+279	+158
Allocation of SDRs	—	+195	+180	+195	—	—	—	+180	—	—	—
Official financing: Official reserves (drawings on, +; additions to, —)	+2329	−1059	−291	−955	−58	−152	+116	−457	−140	+283	+23
Other official financing	−1203	−846	−1081	+76	−690	−145	−87	−232	−108	−502	−241

MARKET REPORTS

Commodities

Canadian western red spring, unquoted. US dark northern spring, No 2, 14 per cent unquoted. US hard winter, 13½ per cent March, £106.50; April, £107.00 trans-shipment east coast. EEC, unquoted. English feed, fob March, £113.50 paid south coast; April-May, £116.50 seller.

MAIZE.—US—French: March, £123.00 trans-shipment east coast. S. African white, unquoted. S. African yellow: March-April £91.50.

BARLEY.—English feed fob: March, £102.00; April, £104.50, April-May, £105.50; June, £106.00 east coast sellers. All per tonne cif UK unless stated.

London Grain Futures Market (Gafta): EEC origin — BARLEY was slightly steadier yesterday.—March, £98.65; May, £101.25; Sept, £95.80; Nov, £97.85; Jan, £101.45. Sales: 98 lots. WHEAT was slightly steadier.—March, £104.75; May, £112.65; July, £116.25; Sept, £98.90; Nov, £102.50; Jan, £106.30. Sales, 178 lots.

Home-Grown Cereals Authority.—Location ex-farm spot prices:

	Other milling WHEAT	Feed WHEAT	Feed BARLEY
S. East	£112.00	£106.80	£97.50
S. West	£110.00	£106.30	£98.70
W. M'lands	£112.00	£109.00	£98.10
N. West	£111.70	£109.30	£96.50

MEAT COMMISSION: Average fatstock prices at representative markets on March 5 — GB: Cattle, 89.04p per kg lw (−0.68). UK: Sheep, 160.52p per kg est dcw (−3.60). GB: Pigs, 73.96p per kg lw (+2.43). England and Wales: Cattle nos up 5.8 per cent, ave price, 89.41p (−0.76). Sheep nos down 29.4 per cent, ave price, 172.16p (−2.81). Pig nos down 0.7 per cent, ave price, 72.96p (+2.43). Scotland: Cattle nos up 20.3 per cent, ave price, 88.11p (−0.30). Sheep nos down 35.4 per cent, ave price, 163.59p (−8.70).

POTATOES (Gafta).—April, £59.70; Nov, £56.90; Feb, £66.80. Sales, 348 lots (of 40 tonnes each).

European sugar production

European beet sugar production for 1981-82 should rise by over 2m tonnes to 30.2m tonnes raw value—given average yields—*compared with the* 1980-81 output of 28.1m tonnes and the 1975-76 to 1980-81 average of 28.4m, the West German sugar statistician, F. O. Licht reports in its latest estimates, according to *London sugar traders* yesterday.

Licht's estimates were based on its first estimate of 1981-82 European beet plantings of 8.06m hectares, or 5.93 per cent up on last year.

UBM expands its scaffolding interests

International Timber Corporation, is selling its scaffolding interests in East Anglia to UBM Group, the builders merchants. UBM is paying roughly £1.2m cash and gets seven units operating under the Jewson name. UBM, confidently expects to extract more than £200,000 a year from the business once it is integrated into the rest of its network. The price is around asset value.

Eurosyndicat

The *Eurosyndicat Index* on European share prices was put provisionally at 153.19 on March 3 against 151.42 a week earlier.

Discount market

A small number of eligible bank bills purchased by the Bank of England was sufficient to relieve the shortage of day-to-day credit in the discount market yesterday. Money had again proved very reluctant to show in any size. Only at the latter end of the day did rates soften at all, with final balances being taken at 13½ per cent.

Foreign exchange report

Thin and nervous trading conditions prevailed throughout much of yesterday's session, with the dollar recovering from a lower start to finish ahead in many instances.

Sterling, with the proximity of the Budget a restraining influence, traded within narrow limits reflecting a general lack of interest. At the close, the pound showed a 75-point gain at $2.2040, compared with $2.1965 overnight. Sterling's "effective" exchange index also finished ahead, with the final calculation at 99.0 from 98.7 at the previous close.

During the morning, the dollar lost ground to the D-mark behind speculation that there might be an increase in the West German Lombard facility from the present 12 per cent.

But with the Bundesbank announcing that it was leaving credit policy unchanged, there was a swift turnabout, although the D-mark was still marginally higher at the close of 2.1360 (2.1355 overnight).

Sterling: Spot and Forward

	Market rates (day's range) March 5	Market rates (close) March 5	1 month	3 months
New York	$2.1940-2065	$2.2035-2045	0.57-0.67c disc	2.35-2.45c disc
Montreal	$2.6390-6500	$2.6470-6480	0.95-1.05c disc	3.05-3.20c disc
Amsterdam	5.17½-22½fl	5.20½-21½fl	1¼-¼c prem	1½-½c prem
Brussels	76.70-77.30f	77.15-25f	3c prem-7c disc	20-30c disc
Copenhagen	14.67-79k	14.77½-78½k	50-210ore disc	535-615ore disc
Dublin	1.2770-2905p	1.2870-00p	5-15p disc	45-65p disc
Frankfurt	4.68-73m	4.70½-71½m	¼pf prem-¾pf disc	1½-2½pf disc
Lisbon	125.00-126.00e	125.80-126.00e	33c prem-9c disc	15c prem-165c d
Madrid	190.70-192.20p	191.90-192.10p	5c prem-34c disc	175-230c disc
Milan	2259-75lr	2273-75lr	7½-9½lr disc	30-33lr disc
Oslo	11.89-12.02k	12.01-02k	120 prem-30ore d	75-240ore disc
Paris	11.03-11f	11.09-09f	1¾-¼c prem	2-3c disc
Stockholm	10.17-25k	10.24-25k	245-325ore disc	1045-1135ore d
Tokyo	455-63y	460-61y	290-140y prem	440-375y prem
Vienna	33.15-40sch	33.33-37sch	2gro prem-1gro d	3-12gro disc
Zurich	4.25-31f	4.29-29f	1½-½c prem	3½-3½c prem

Effective exchange rate compared to 1975, was 99.0 up 0.3.

Other Markets

Australia	1.8940-1.9090
Bahrain	0.8290-0.8320
Finland	8.9750-9.0155
Greece	112.50-114.50
Hongkong	11.7350-11.7950
Iran	not available
Kuwait	0.6030-0.6060
Malaysia	5.0540-5.0840
Mexico	51.25-52.75
New Zealand	2.3915-2.4115
Saudi Arabia	7.3695-7.3995
Singapore	4.6265-4.8565
South Africa	1.7195-1.7365

Indices

	Bank of England Index	Morgan Guaranty Changes %
Sterling	99.0	−26.8
US dollar	100.7	−3.4
Canadian dollar	85.6	−18.5
Schilling	115.5	+21.3
Belgian franc	107.4	+8.0
Danish kroner	89.2	−10.3
Deutsche mark	120.9	+39.7
Swiss franc	134.0	+74.6
Guilder	111.9	+15.4
French franc	96.3	−9.9
Lira	61.3	−53.4
Yen	146.2	+42.1

Based on trade weighted changes from Washington agreement December, 1971. (Bank of England Index 100).

Dollar Spot Rates

* Ireland	1.7160-1.7130
† Canada	1.2007-1.2010
Netherlands	2.3630-2.3460
Belgium	35.02-35.07
Denmark	6.7150-6.7250
West Germany	2.1350-2.1370
Portugal	57.00-57.15
Spain	87.00-87.10
Italy	1031-1032
Norway	5.4450-5.4550
France	5.0350-5.0400
Sweden	4.6475-4.6525
Japan	208.70-208.90
Austria	15.13-15.15
Switzerland	1.9460-1.9490

* Ireland quoted in US currency.
† Canada $1: US$.8325-.8329

EMS Currency Rates

	ECU central rates	currency against ECU	% change from central rates	% change adjusted†	divergence limit % plus/minus
Belgian franc	39.7897	41.7495	+4.93	+1.53	1.53
Danish krone	7.7236	7.98725	+3.41	+0.01	1.64
German D-mark	2.48208	2.54700	+2.42	−0.78	1.125
French franc	5.84700	5.99663	+2.59	−0.81	1.3557
Dutch guilder	2.74362	2.81679	+2.67	−0.73	1.512
Irish punt	0.668201	0.695575	+4.09	+0.69	1.665
Italian lira	1157.79	1226.18	+5.91	+2.51	4.08

+ changes are for the ECU therefore positive change denotes weak currency.
* adjusted for sterling's weight in the ECU, and for the lira's wider divergence limits.
Adjustment calculated by The Times.

Euro-$ Deposits

Calls, 14¼-15¼; seven days, 15½-16¼; one month, 16⅛-16⅜; three months, 16⅜-16⅝; six months, 16⅜-16⅝.

Gold

Gold fixed: am, $457.00 (an ounce); pm, $461.50; close, $463.50.
Krugerrand (per coin): $470-473 (£213.25-214.75).
Sovereigns (new): $114-116 (£51.75-52.75).

Money Market Rates

Bank of England MLR 14%
(Last changed 24/11/80)
Clearing Banks Base Rate 14%
Discount Mkt Loans %
Overnight: High 14 Low 13½
Week Fixed: 14-13½

Treasury Bills (Dis%)

Buying		Selling	
2 months	12⅝	2 months	11 15/16
3 months	11⅝	3 months	11⅞

Prime Bank Bills (Dis%) Trades (Dis%)

2 months	12 15/16-12¾	3 months	12½
3 months	11 13/16-11 11/16	4 months	12⅛
4 months	11 11/16-11 9/16	6 months	12
6 months	11½-11⅜		

Local Authority Bonds

1 month	14⅞-14⅝	7 months	12⅝-12⅜
2 months	14-13¾	8 months	12⅝-12⅜
3 months	12 15/16-12 11/16	9 months	12⅝-12⅜
4 months	12¾-12½	10 months	12⅝-12⅜
5 months	12¾-12½	11 months	12⅝-12⅜
6 months	12¾-12⅝	12 months	12⅝-12⅜

Secondary Mkt. ECD Rates (%)

1 month	13 15/16-13¾	6 months	12 13/16-12 11/16
3 months	12 15/16-12 13/16	12 months	12⅝-12½

Local Authority Market (%)

2 days	14⅛-12¾	3 months	12⅝
7 days	14⅛-14⅜	6 months	12¾
1 month	14⅛-14¼	1 year	12⅜

Interbank Market (%)
Overnight: Open 15¼-15 Close 14

1 week	15¼-15	6 months	12¾-12⅝
1 month	13 15/16-13 13/16	9 months	12¾-12⅝
3 months	12⅝-12½	12 months	12 13/16-12 11/16

First Class Finance Houses (Mkt. Rate %)
3 months 13   6 months 12¾

Finance House Base Rate 14½

Wall Street

New York, March 5.—Stocks on the New York Stock Exchange closed lower in moderate trading as the NYSE index fell 0.47 to 74.51 and the average price per share 22 cents. The Dow Jones industrial average lost 6.82 to 964.62 and declines led advances, 769 to 719 as turnover slowed to 45,380,000 shares from 47,260,000.

Among the oils, Exxon lost 1¾ to 69¾, Standard Oil of California 1⅞ to 38⅜, Texaco ⅞ to 37⅞, Superior Oil 4½ to 210, Getty Oil one to 69¼, Occidental ⅞ to 28⅛ and Standard Oil (Indiana) 2⅛ to 67⅞. Texas International, however, climbed 1⅛ to 43⅝. It found a third and fourth natural gas zone in a Texas well.

Amax Incorporated was off ⅛ to 38⅛ before a trading halt. Directors rejected a $78.50 a share takeover bid from Standard Oil of California valued at $3,800m. Volume leader Clorox climbed 1⅛ to 12⅛. Atlantic Richfield lost 1⅛ to 54⅜. It expects a threefold rise in its windfall profit tax this year.

Consolidated Freightways surged 6⅞ to 35⅛. It will sell some operations to Daimler-Benz. Orion Capital ended up ⅞ at 17⅜ after hitting 18⅜ at one point.

Gold shares firmed as bullion prices recovered from recent weakness. Retailers were generally firmer after reporting mostly higher February sales. Active Sears Roebuck gained ⅛ to 16⅜ but K Mart eased ⅛ to 17⅞ in active trading.—Reuter.

US commodities

GOLD gained $6.50 to $465-$467 in light and uneventful trading. CHICAGO IMM: June, $545.00; Sept, $559.00 bid; Dec, $581.00; March, $597.10; April, $597.00 nominal; June, $609.40 nominal; July, $615.40 nominal. NY COMEX: March, $464.00; April, $465.00-467.50; May, $471.60; June, $475.50-477.00; Aug, $488.00; Oct, $499.30; Dec, $511.00; Feb, $522.20; April, $534.50; June, $546.00; Aug, $557.40; Oct, $569.60; Dec, $581.80.

SILVER futures held small closing gains of 13.5 to 5.5 cents on scattered buying. Spot March settled 27.5 cents higher at $11.705 per ounce. March, 1,168.50-1,170.00c; April, 1,182.50c; [illegible]

Authorized Units, Insurance & Offshore Funds

Equities mark time

ACCOUNT DAYS: Dealings Began, March 2. Dealings End, March 13. § Contango Day, March 16. Settlement Day, March 23

§ Forward bargains are permitted on two previous days

BRITISH FUNDS

1980/81 High	Low	Stock		Price	Ch'ge	Int. only Yield	Gross Red Yield
SHORTS							
98 13/16	91	Exch	8¼% 1981	99 13/16	..	8.350	12.757
96 13/16	91	Exch	9½% 1981	98 15/16	..	9.602	12.562
96⅛	85½	Exch	3% 1981	95⅞	..	3.129	12.[illegible]
100⅝	93 3/16	Exch	12¾% 1981	100 5/16	..	12.710	12.216
97 5/16	88	Treas	8½% 1980-82	97	..	8.763	12.276
95⅛	81 15/16	Treas	3% 1982	94⅞	..	3.162	8.799
102¾	90½	Treas	14% 1982	101 15/16●	..	13.734	11.927
95⅝	85⅝	Treas	8¼% 1982	95¼	−⅛	8.662	12.250
96	85¼	Exch	9¼% 1982	95 7/16	●−⅛	9.692	12.583
94⅞	84⅛	Exch	8¾% 1983	94⅛	−⅛	9.271	12.262
89	76½	Exch	3% 1983	88⅞	..	3.376	9.354
99 7/16	85¾	Treas	12% 1983	98 15/16	●−1/16	12.129	12.613
93 13/16	84⅛	Treas	9½% 1983	93⅞	−1/16	9.907	12.586
102⅛	94⅛	Exch	13½% 1983	101⅜	−1/16	13.317	12.864
93 15/16	84⅛	Exch	10% 1983	93⅜	−1/16	10.709	12.912
87⅛	70⅝	Fund	5½% 1982-84	87	+⅛	6.321	10.908
97 7/16	86⅞	Exch	11½% 1984	96 5/16	..	11.895	12.838
104 5/16	94½	Exch	14% 1984	102⅝	−⅛	13.642	12.961
90½	68¼	Exch	3% 1984	80½	+¼	3.727	10.127
99⅝	88	Treas	12% 1984	97 11/16	●−1/16	12.284	12.814
110¼	97⅜	Treas	15% 1985	106 11/16	−1/16	14.060	12.786
75	68 15/16	Treas	3% 1985	74⅞	+⅛	4.008	10.556
MEDIUMS							
102¼	89½	Exch	12¼% 1985	97⅞	−1/16	12.548	12.921
97⅛	93½	Exch	11¾% 1986	96	−⅛	12.240	12.858
69½	60½	Treas	3% 1986	69½	..	4.319	10.839
89⅞	78⅞	Treas	8½% 1984-86	86⅞	..	9.968	12.351
105⅛	90⅝	Exch	13½% 1987	101⅞	..	13.223	13.196
81½	70¼	Fund	6½% 1985-87	80½	..	8.308	11.548
94⅞	81⅝	Treas	12% 1987	97⅞	..	12.802	13.452
80	71⅝	Treas	7¾% 1985-88	79⅝	..	9.875	12.501
65⅛	54⅞	Trans	3% 1978-88	64¼	..	4.710	10.153
89	82⅝	Treas	11½% 1989	90⅝	..	12.792	13.620

COMMERCIAL AND INDUSTRIAL

A — B

1980/81 High	Low	Company	Price	Ch'ge	Gross Div pence
195	117	AAH	190	+2	12.6
200	101	AB Electronics	101	..	10.7
244	111¼	AGB Research	234	..	6.6
29	12	AI Ind Prod	17	..	0.0
223	161	APV Hldgs	225	+3	15.7
71	46	Aaronson Bros	54	..	6.0
88	42½	Acrow	50	..	..
50	25	Do A	33	..	..
200	142	Adwest Group	160	..	10.6
428	109½	Aeron't & Gen.	368	..	2.5
37	15	Aero Needles	23	..	..
600	295	AKZO	350	..	..
111	45	Alcan Alum UK	110	..	..
83½	73½	Do 10½%	£79	..	1050
42	30	Allen W. G.	36	..	4.4
140	85	Allied Colloids	125	..	3.6
30½	24¼	Allied Plant	30½	..	2.5
290	222	Amal Metal	225	..	20.0
90	49	Amal Power	83	+4	4.4
39½	23	Amber Day	29½	+1	4.1
35	27	Amber Ind Hldgs	27	..	7.1
140	22	Amstrad	139	+1	2.9
80	56	Anchor Chem	70	..	7.6
108½	53¼	Anderson Strath	78	+½	5.7
94	60	Anglia TV 'A'	90	+1	7.1
11	7 23/32	Anglo Amer Ind	£8½	..	64.1
37½	22½	Aquascutum 'A'	33	..	2.9
60	34	Arenson Hldgs	45	..	2.8
128	35½	Argyll Foods	117	−1	1.7
73	30	Arlen Elec	41	..	4.3
144	80	Arlington Mtr	94	..	12.9

C — E

F — H

I — L

M — N

O — S

T — Z

COMMONWEALTH AND FOREIGN

LOCAL AUTHORITIES

DOLLAR STOCKS

BANKS AND DISCOUNTS

BREWERIES AND DISTILLERIES

FINANCIAL TRUSTS

INSURANCE

INVESTMENT TRUSTS

SHIPPING

MINES

OIL

PROPERTY

RUBBER

TEA

MISCELLANEOUS

RECENT ISSUES

RIGHTS ISSUES

Court of Appeal

Revenue cannot inspect Manx bank records

Regina v Grossman

Before Lord Denning, Master of the Rolls, Lord Justice Shaw and Lord Justice Oliver

[Judgments delivered March 4]

The jurisdiction of the court to make an order under section 7 of the Bankers' Books Evidence Act, 1879, for the inspection and copying of entries in bankers' books should be exercised with great caution where it affects a party other than "any party to a legal proceeding" and as a matter of discretion ought not to be made where it affects records of bank accounts not within the jurisdiction of the court.

The Court of Appeal allowed an appeal by the Savings and Investment Bank Ltd of Douglas, Isle of Man, from Mr Justice Skinner's order on February 12 that the Inland Revenue Commissioners and their servants should be at liberty to inspect and take copies of all entries in the books of Barclays Bank Ltd, Victoria Street, Douglas, relating to account no 50783064 of the Savings and Investment Bank Ltd so far as it related to J. B. K. Construction Ltd between May 15 and October 4, 1979.

A further part of the judge's order relating to the account of J.B.K. Construction with Barclays Bank, Broadmeads, Bristol, was not affected by the appeal.

The order was made under section 7 of the Bankers' Books Evidence Act in respect of criminal proceedings against Joseph Henry David Grossman, formerly of Gilwern, Gwent which had been brought before Pontypridd Magistrates' Court.

Section 7 provides: "On the application of any party in a legal proceeding a court or judge may order that such a party be at liberty to inspect and take copies of any entries in a banker's book for any of the purposes of such proceedings. An order under this section may be made either with or without summoning the bank or any other party, and shall be served on the bank three clear days before the same is to be obeyed. . . ."

Mr Anthony Scrivener, QC, and Mr Michael Jump for the Savings and Investment Bank; Mr William Gerry, QC, and Mr Robert Rhodes for the commissioners.

The MASTER OF THE ROLLS said that Mr Grossman was arrested on September 19, 1979. Two bank paying-in books were found on him which showed that he had been paying in money to an account at Barclays Bank in Douglas, numbered 50783064. He was taken before magistrates at Llantrisant, Mid Glamorgan, and charged with fraud arising out of the "lump". He was granted bail but absconded. On January 1981, he was arrested and was now in custody awaiting trial after a hearing before Pontypridd magistrates.

The revenue were preparing the case against him and wanted to inspect and take copies of some of the entries in the numbered account. It was in the Isle of Man and so outside the jurisdiction of the court.

Could the court make an order under section 7 of the Act of 1879?

The nature of the case against Grossman went back to the days of the "lump" when workmen were engaged as "labour only sub-contractors" and received their full earnings without PAYE deduction. Theoretically they were liable to pay tax on their earnings, but they were never on the sites long enough for the revenue to catch up with them. Sections 68 to 71 of the Finance (No 2) Act, 1975, was passed to overcome the subterfuge: contractors were bound to pay over 35 per cent of the men's earnings to the revenue. But some companies were allowed to avoid that 35 per cent. If they satisfied the revenue on various matters they were granted exemption certificates.

On November 17, 1977, J.B.K. was granted an exemption certificate, but the company proved unworthy of it. It never made any tax returns or paid any tax. In January, 1979, the exemption certificate was cancelled, but although the revenue asked for it back it was never returned.

The case against Grossman appeared to be that he had got hold of some of the documents of JBK such as exemption certificates and interposed JBK's name between the contractor and the workmen.

Instead of the contractor paying the men and deducting the 35 per cent for the revenue, the contractor paid the full amount by cheques made out in favour of JBK. That money was paid into the numbered account. It was drawn out and used to pay the wages less 6 per cent which Grossman seemed to have pocketed for himself. He appeared to have taken £2,400 for himself.

That was the nature of the charges, which of course might not be maintained. There were three specific charges against Grossman: (1) falsification of an invoice purporting to show a payment for labour supplied by JBK; (2) possession of an exemption certificate, contrary to section 17(1)(a) of the Theft Act 1968; and (3) dealing with payments to workmen without deduction of tax contrary to section (25)(1) of the Theft Act.

The revenue said that they had a good deal of evidence against Grossman but wanted confirmatory evidence. In particular that in the books of Barclays Bank, Victoria Street, Douglas, relating to account 50783064 of the Savings and Investment Bank Ltd.

That bank was registered and licensed as a bank under Manx law. It had no place of business in England and Wales. It collected cheques and paid them but did so through the medium of Barclays Bank as a clearing house.

The revenue thought that if they could inspect the books relating to account 50783064 they might be able to obtain evidence which would help in the prosecution of Grossman.

In 1979 the revenue went to the Isle of Man and sought an order under their Bankers' Books Evidence Act, 1935. It appeared that when the matter came before the island's First Deemster he would have nothing of it. He would not allow such proceedings in the Isle of Man to assist court proceedings in Wales. A newspaper report referred to a "stern warning from Deemster after UK tax authority moves".

When Grossman was rearrested in January 1981, the revenue thought that the best way was to apply to the court under English law. They sought an order under the 1879 Act addressed to Barclays Bank, Lombard Street, London. Mr Justice Skinner had made the order sought on the revenue's ex parte application.

Barclays took up a neutral stance. But the Savings and Investment Bank quite independently said that they were just a customer of Barclays in the Isle of Man and that the order made requiring Barclays to produce their customer's account was a wide thing to do. They were granted leave to appeal. The matter had to be decided because of the proceedings in Wales.

"Legal proceeding" in Section 7 of the 1879 Act included "any civil or criminal proceeding" (section 10). The working of the section was wide enough to cover not only the particular litigant but also other persons.

It was contended that the power of inspection and discovery should be very carefully watched, especially when it asked for a sight of the account of a customer to whom the bank owed a duty of confidence.

It was quite plain that in ordinary civil litigation an order under section 7 would normally only be made in respect of a party who was a party to the litigation against his account or an account which was really his. It could be made against a third party, but great caution had to be observed: *South Staffordshire Tramways v Ebbsmith* ([1895] 2 QB 669); *Pollock v Garle* ([1898] 1 Ch 1) and *Waterhouse v Barker* ([1924] 2 KB 759), which related to civil cases.

Criminal cases were few in number. An accused person's bank account might well be the subject of an order under section 7; and that of a near relative, such as a wife: *Williams v Summerfield* ([1972] 2 QB 512) and *R v Andover Justices, Ex parte Rhodes* (*The Times*, June 14, 1980). The principles were stated in *R v Marlborough Street Magistrates' Court, Ex parte Simpson* ((1980) 70 Cr App R 291), which stressed the caution to be exercised.

Before the confidence of a customer's bank account was impugned the question had to be asked whether the public interest in assisting the prosecution of crime outweighed the private interest in the confidentiality of the customer's account. In the present case the account was in the Isle of Man and it was sought to inspect a customer's books to assist a Welsh prosecution.

The courts in the Isle of Man had taken a strong line against their legal process being used to help legal proceedings in England. On February 17, 1981, the Deemster had made an order restraining Barclays Bank, Victoria Street, Douglas, from disclosing or permitting inspection of entries relating to the account.

It was said that the order sought was a personal order like a subpoena duces tecum and was not against Barclays Bank in the Isle of Man but against their head office in Lombard Street.

His Lordship did not think that Barclays branch in Douglas should be considered any differently from an Irish or American branch bank there which was not subject to our jurisdiction. Barclays had to get a licence to operate there. The branch there should be considered as a separate entity.

The court ought not in its discretion to make an order even on Barclays headquarters in London concerning their branch in the Isle of Man. It would not be right for the confidentiality of customers there to be broken for proceedings over here.

There was a danger of a conflict of jurisdiction between the courts here and in the Isle of Man. For inspection of bankers' books in England and Wales application should be made under the Act of 1879. For books in the Isle of Man it should be made in the Isle of Man.

Bearing in mind the confidentiality of the customers' account the court in its discretion should make no order. The appeal should be allowed. That meant that the revenue would not have available the evidence which they would like to have to prosecute Grossman in Wales.

LORD JUSTICE SHAW agreed that on the practicalities the order made should be set aside. The judge below had not been in possession of all the material facts. Although section 7 required no notice to be given, where the interests of other parties might be materially affected it was desirable that they should be notified save where there were considerations of urgency or secrecy.

LORD JUSTICE OLIVER, also agreeing, said that while there was no doubt but that the judge had jurisdiction to make the order the real question was whether in the exercise of the court's discretion it should be made. The practice of making orders under section 7 on third parties was unsatisfactory. It should only be made in unusual circumstances. Where third parties were concerned the person affected should have the opportunity of coming before the court either by notice or an order nisi.

Solicitors: Olivestone, Hanson & Peltz; Solicitor of Inland Revenue.

Repair obligations in 7-year lease agreements

...kom Investments Ltd v ...ford

...ore Lord Justice Ormrod and ...d Justice Griffiths

Section 32 of the Housing Act, ...1, which implies into any lease ...a dwelling house "for a term less than seven years" certain ...uring covenants by the land...d notwithstanding covenants to ...contrary by the tenant, does ...apply to an agreement for a ...se for a term of seven years, ...vided the term begins on or ...er the date of the agreement, ...ether or not it is followed by a ...mal lease.

Where, therefore, a tenant ...der a lease for a term of seven ...rs from November 1, 1969, was ...owed into possession of the flat ...November 1 and paid in ...vance a proportion of the quar...ly rent calculated from that ...te, but the lease itself was only ...ecuted some days later and was ...t delivered until November 15, ...tion 32 did not in principle ...ply.

The Court of Appeal, however, ...owed an appeal by the tenant, ...David Seaford, of Sudbury ...ll, Harrow, from an order of ...dge Honig that the landlords, ...lkom Investments Ltd, were ...titled to possession of the house ...d arrears of rent, on the ground ...at the landlords were estopped ...m disputing their liability ...der section 32.

Mr Isaac Jacob for the tenant; ...r Norman Primost for the land...rds.

LORD JUSTICE ORMROD, ...ving the judgment of the court, ...id that section 32 implied into ...y lease to which the section ...plied a covenant by the landlord ...keep in repair and proper work...g order installations for water, ...s and electricity supply and ...itation. By section 33(1), sect...n 32 applied to "any lease of ...dwelling house . . . for a term ...less than seven years." The ...st question was the length of ...e term in the present case.

It had been held in *Roberts v ...urch Commissioners for England* ([1972] 1 QB 278) and many other cases that a term defined in a deed as beginning from a date before the delivery of the deed, say for 10 years from that date, was not a term of 10 years. It was a shorter term beginning from the date of delivery of the deed and ending 10 years from the date specified in the lease. Mr Jacob submitted, therefore, that although the habendum referred to a term of seven years from November 1, 1969, the actual term was two weeks short of seven years; and that the tenant was accordingly released from the relevant repairing covenant.

Mr Primost drew attention to section 33(5) which provided: "In the application of this section to a lease granted for a term part of which falls before the grant, that part shall be left out of account and the lease shall be treated as a lease for a term commencing with the grant." He submitted that if section 33(1) was construed in accordance with the *Roberts* principle, subsection (5) was wholly unnecessary because in any event the term could not start before the grant, and so section 33(1) must refer to the term described in the habendum. But if that was right the lease was later caught by the same subsection (5): the part falling before the grant had to be left out of account and the term computed from the date of the grant. So Mr Primost was back to square one.

That was obviously an unsatisfactory conclusion. It was difficult to believe that Parliament intended that the application of section 32, which seriously affected the rights of landlords and tenants, should depend on something so essentially fortuitous as the date of delivery of a lease. Fortunately there was another approach which should be adopted.

Section 32(5) defined "lease" as including "an agreement for a lease . . . and any other tenancy" and "term" was to be construed accordingly. There was in the present case an agreement for a lease of seven years beginning on November 1, 1969, made by the parties on or before that date, because by that date the terms of the lease as set out in the specimen lease and counterpart had been agreed, and there was part performance by entry into possession and payment and acceptance of rent. The test was the point in time at which the tenant was in a position to say that, subject to options to determine, etc, he was entitled to remain tenant for the next x years, whether in law or in equity. That point of time was November 1. There was accordingly for the purposes of section 33(1) an agreement for a lease and therefore a lease as defined, for a term not less than seven years.

If that was right, it was necessary to read "granted" in section 33(5) as equivalent to "made". Such a construction did not do undue violence to the language of the sections read as a whole. Section 33(5) would still be effective to prevent the mischief at which it was presumably aimed, namely to stop a landlord granting or agreeing to grant a lease for less than seven years and backdating the term to make it seven years from some anterior date.

However, a further point arose. In 1975 the landlords applied to the rent officer under the Rent Act, 1968, to register a fair rent. In his determination the rent officer, under the heading "allocation of liability for repairs", referred to the lease and added the words "and subject to the provisions of sections 32 and 33 of the Housing Act, 1961," thus indicating that the assessment was made on the basis of the landlord being liable for the repairs specified in section 32 (1). Consequently, a higher rent was registered than if that liability had been on the tenant. The landlords did not object and thereafter demanded and received rent at the enhanced rate.

Further assessments, on the same basis, were made in 1977 and 1979, and it was clear from the correspondence that the landlords throughout accepted liability for the section 32 repairs. In the event, however, the tenant did the repairs, paid for them, and withheld a proportion of the rent. In due course the landlords brought the action for possession and arrears of rent at the enhanced rate. The tenant filed a defence claiming to set off the cost of repairs against the rent. Then for the first time the landlords disputed their liability and claimed that section 32 did not apply to the lease.

Thus in the same proceedings the landlords were seeking to recover arrears of rent fixed on the basis that they were liable for section 32 repairs, and claiming that they were not liable for the repairs. It would clearly be inequitable to hold the tenant liable both for the full amount of arrears and for the cost of the repairs, in those circumstances. It was the classic situation which the doctrine of estoppel was designed to meet.

Mr Primost argued that the representation was one of law and not of fact and therefore could not give rise to an estoppel, and that the tenant was seeking to use the estoppel as a sword. Those dichotomies were dangerously neat and apt to mislead. Representations of fact shaded into representations of law, and swords, with a little ingenuity, could be beaten into shields or vice versa.

The shield in the present case might have quite a sharp edge but it was nonetheless a shield, and the representation was essentially one of fact, ie, that the landlords accepted liability for the section 32 repairs in return for the enhanced rent. As long as the enhanced rent was claimed the landlords could not put the burden of those repairs on the tenant, but they could take immediate action to have the fair rent corrected, and they would then be entitled to the benefit of the tenant's covenant. The case would be remitted to the judge.

Solicitors: J. E. Kennedy & Co, Harrow; A. E. Hamlin & Co.

In *Regina v Gateshead Justices, Ex parte Tesco Stores Ltd*, (February 27), the opening sentence should read: "Information should be laid before justices of the peace or clerks to the justices".

Press Council repeats its censure of the 'New Statesman' on ethical grounds

By Craig Seton

The Press Council has repeated its censure of the *New Statesman* for what it describes as two breaches of journalistic ethics. It criticizes Mr Bruce Page, the magazine's editor, for twice failing to publish council adjudications criticizing the journal.

The council particularly criticizes Mr Page for his minimal cooperation, or lack of it, over two complaints against the journal.

One complaint was by the Civil Service Union about an article alleging corruption and incompetence among British civil servants in Hongkong which, it said, implied collusion by a union officer in a cover-up. The council says Mr Page declined to allow the union reasonable space for a reply.

Second, the council upheld a complaint by Mr Hanus Weber, a Czechoslovak journalist living in Stockholm. It was that, having published statements attributed to him which he never made and having wrongly said that he had received a letter from Trotsky's murderer and that he had fled from Czechoslovakia, Mr Page refused to publish a correction.

In its new adjudication the council says:

In its adjudication on the complaint of Mr Hanus Weber, a Czech, against the *New Statesman* the Press Council said it considered "the editor should have been aware of the implications in human and professional terms for the complainant of publishing false statements which he had never made and should have published a correction promptly".

It regretted the editor's failure to answer the complaint directly, his minimal cooperation with the Press Council and his statement that he could not submit the *New Statesman* to its jurisdiction.

In its adjudication on the complaint of the Civil Service Union the Press Council said that having published an attack making wide-ranging allegations the *New Statesman* should have given the union an opportunity to reply. It criticized the editor for breaking his apparent undertaking to publish a response by the union's general secretary.

It regretted the editor's lack of cooperation with the Press Council in its investigation, particularly as the complaint concerned an obligation so generally accepted as giving the opportunity to reply to a published attack.

The adjudications were published elsewhere but not in the *New Statesman*.

The Press Council repeats its censure of the *New Statesman* for its original disregard of journalistic ethics in both cases. In particular it now condemns the two failures of the editor of the *New Statesman* to honour the moral obligation on him to publish a Press Council adjudication criticizing his journal, an obligation recognized by editors of magazines and newspapers throughout Britain for more than a quarter of a century.

Leading article, page 13

Scots poll shows Tory slide

Dissatisfaction in Scotland with the Government's performance emerges in an opinion poll published today in *The Scotsman*. Of nearly 1,100 voters interviewed by Market and Opinion Research International in 48 Scottish constituencies, only 20 per cent said they would vote Conservative, compared with a general election figure of 31.4 per cent.

Labour support is up slightly on May, 1979, from 41.5 per cent to 44 per cent.

Opposition to patients' clubs growing

By Lucy Hodges

Strong opposition is surfacing to the Government's proposals for spending money saved up by patients in long-stay hospitals for the old, he mentally ill, and the mentally handicapped.

There has been disquiet for some time about the large sums of money held by health authorities on behalf of those patients, £25.8m at the last count a year ago. There is even more disquiet at the way the Government is proposing to tackle the question by setting up patient's clubs in long-stay hospitals.

Four organizations (the Campaign for Mentally Handicapped People, MIND, the Child Poverty Action Group and Disability Alliance) are meeting to discuss their opposition to the Government's consultative paper published at the end of January. Their main concern is that patient's clubs will do nothing to increase choice for patients and may lead to misappropriation of funds.

Most long-stay hospital patients rely on social security payments as their only source of income, but when they cannot manage their own affairs someone else has to be found. In many cases it is the health authority.

Because of restrictions on the way staff can spend the money it is allowed to accumulate in hospital accounts.

Motoring

The danger of insecure lorry loads

Mr Douglas Stoten, who is a higher scientific officer at the Metropolitan Police laboratories, made the startling claim at an inquest last week that between 60 and 70 per cent of the loads carried by lorries on the roads of Britain are dangerously insecure.

He was giving evidence in the case of a lorry driver who, the inquest was told, was crushed to death by a 20-ton load of steel tubing being carried on his vehicle. The driver braked suddenly to avoid a car, the tubing came loose from the ropes securing it and smashed into the cab.

Mr Stoten has since emphasized that he was giving a personal rather than a "police" view and that the 60 to 70 per cent figure was based on an impression and not a scientific survey. But he is an expert in the field and has made a study of many different types of loads.

Moreover, Northampton police, in whose area the incident happened, have been looking at the loads leaving the steelworks at Corby and consider that a "large majority" are dangerous. Two days after the inquest a steel bar weighing more than a ton fell off a lorry in Dudley town centre, in the West Midlands. No one was underneath it, but eight strong men were needed to drag it out of harm's way.

The Construction and Use Regulations say that a load carried by a vehicle must be secured so that it does not present a potential danger to people or property. Failure to do so is an offence, for which lorry operators can be prosecuted.

Enforcement of the law is a matter for the police, helped in some cases by the roadside checks on lorries conducted by the Department of Transport. One point made by Northamptonshire police is that it is difficult for an officer without technical knowledge to judge merely by looking at it whether a load is potentially dangerous.

When the argument may come down to mathematical calculations about, say, the tension of ropes, a police officer can be forgiven for hesitating. Figures from another police force suggest that five times as many prosecutions are brought after loads have been shed than in cases where they are considered likely to do so.

The law is backed up by a code of practice on the safety of loads on vehicles, drawn up by the Government in conjunction with the road transport industry and giving detailed guidance on the way loads should be secured. A leaflet summarizing the code is available to drivers to carry in their cabs.

The code was first issued in 1972 and a Department of Transport working party (of which, incidentally, Mr Stoten is a member) is preparing an updated version. Mr Stoten feels that the code should be written in simpler language.

The department reckons that the 60 to 70 per cent estimate made by Mr Stoten of insecure loads is "high", but says that there are no accident statistics to prove the matter one way or the other. It does concede that there is a lack of awareness in the industry of the code, particularly among smaller lorry firms.

According to the Road Haulage Association, Mr Stoten's figure is a "gross exaggeration". The association adds: "There is no excuse for careless loading, but the cases where it leads to fatalities are very few indeed".

Perhaps surprisingly, the recent Armitage report on lorries, people and the environment, while treating the safety of lorries in some detail, makes no mention of insecure loads. But it does quote some interesting facts.

Lorries are involved in a small proportion of all road accidents. Only 7 per cent of all casualties in 1978 occurred in accidents involving lorries. However, lorry accidents tend to be more serious: 16 per cent of road deaths in 1978 were in accidents involving lorries.

Another consideration is that only 92 of 1,066 people killed in accidents involving lorries in 1978 were occupants of lorries. Nearly half (532) were car occupants, 205 were pedestrians, 159 motor cyclists and 60 cyclists. That is why lorry hazards, including insecure loads, are of concern to all of us.

A Japanese Escort?—the new Mazda 323 hatchback

Road test: Mazda 323

The word has got round that the Mazda 323 hatchback, which goes on sale in Britain next week, Grounds for thinking that include Ford's 25 per cent stake in Toyo Kogyo, the company that makes Mazdas, and the close similarity of the cars in size and concept. Toyo Kogyo has vehemently denied any Ford influence in the 323; even so, the two models are bound to be bracketed together.

Like the Escort, the 323 is a three and five-door hatchback and it offers a like choice of engines: 1100, 1300 and 1500. The engines are mounted transversely and drive the front wheels, which is still far from common on Japanese cars, as are the Mazda's rack and pinion steering and independent rear suspension. If the Escort was an advanced car for Ford, so the 323 is advanced for Japan.

The bodyshells of the two models differ mainly in the "bustle", or squared back end, of the Ford, created, it is said, for aerodynamic reasons. But the 323, with the sloping bonnet and front air dam, also claims a low drag factor, lower than European rivals like the VW Golf or Opel Kadett, which, of course, helps to reduce fuel consumption.

I have been driving the five-door version of the car with the 1300 cc engine. The power units are basically of the same design as those in the previous small Mazda, with aluminium cylinder head and overhead camshaft, but smaller and lighter. Mated with a bodyshell that also achieves lightness through the use of high tensile steel and plastics, the 1300 gives brisk acceleration (0 to 60 mph in 12 seconds) combined with good top gear flexibility.

The engine is smooth and reasonably quiet and legal motor- the claimed top speed of 90 mph. Thanks, again, to the smooth shape, there is little wind noise. Fuel consumption is excellent: I got 33 mpg in town and 40 mpg on the open road.

The crisp and responsive rack and pinion steering immediately marks the 323 off from many of its compatriots; indeed, the whole car has a taut feel, with little bodyroll on corners, that makes it enjoyable to drive. Hondas have traditionally been the best Japanese cars for handling but this new Mazda runs them close. The gearbox is a delight.

My main criticism of the 323 is the one I had of the new Escort, its ride. Though all-independent suspension is supposed to improve ride quality, neither Ford nor Mazda seems to have learnt the trick. The 323 is not as bad as the early examples of the Escort (Ford has since modified the spring rates) but over anything but the blandest surfaces it bumps and rattles with considerable tyre noise.

The front seats adjust for tilt, as well as the usual rake and reach, so most drivers should be able to settle comfortably; but I could have done with more lumbar support. Though the car claims to be roomier inside than some European competitors, there is only just enough head and legroom in the back for a tall person. The boot is useful and the rear seats fold down separately.

The heating and ventilation system is powerfully effective and allows for that ideal combination of warm feet and cool head. The large glass area ... parking manoeuvres. Most o... minor controls are on stee... column stalks: in the case o... headlamp switch this may n... wise, for it can be flicked o... mistake, leaving the light... waste away unnoticed.

Since Japanese cars are... puted to be so reliable, I ... report that my 323 was a slug... starter and that its clock wa... working. But point by poi... yields little to its putative pa... the Escort, and it is several ... dred pounds cheaper. The ... door 1300 costs £3.799, ag... £4,557 for the Escort 1.3 GL, ... is, if anything, better equip...

New releases

At the Geneva Motor S... this week Volkswagen has i... duced a new version of ... Scirocco sports coupé. The ... is 6½in longer than the cu... model, giving more passe... and luggage space, and the ... a new, more rounded, bodysh... Thanks to its low drag, the ... though larger, is said to be ... faster and more econon... Engines, as now, are heade... a fuel-injected 1.6 litre... mark two Scirocco should b... sale in Britain in the autum...

Fiat is about to launch in ... what it claims to be the wo... smallest diesel car, based o... 127. The car is built at the ... factory at Belo Horizonte ... Brazil, and uses a 1,300cc en... derived from the 1,050cc p... unit. Like most diesels, its ... gish performance (0 to 60 ... in 23seconds) is compensate... by outstanding fuel consump... (44 mpg in town driving). ... does not consider the Br... diesel market big enough ... justify selling the car here.

Peter Waym...

LEGAL NOTICES

Notice of MEETING OF CREDITORS. Pursuant to Section 293 COMPANIES ACT, 1948. Name of Company PLANTUBE DEVELOPMENTS Limited.

Notice is hereby given, pursuant to Section 293 of the Companies Act, 1948, that a meeting of the Creditors of the above-named Company will be held at 1 Puddle Dock, London, EC4 on Monday, the 9th day of March, 1981, at 10.30 o'clock in the forenoon, for the purposes mentioned in Sections 294 and 295 of the said Act. ...

Dated this 13th day of February, 1981.
By Order of the Board of Directors, ... (Director and Secretary)

PARLIAMENTARY NOTICES

IN PARLIAMENT
SESSION 1980-81
UNITED REFORMED CHURCH (H.L.)
(ADDITIONAL PROVISION)

NOTICE IS HEREBY GIVEN that the United Reformed Church intend to apply to Parliament in the present Session by Petition for an Additional Provision for leave to introduce amendments (hereinafter referred to as "the Additional Provision") into the Bill now pending in the House of Lords under the above name or short title.

The following is a concise summary of the purposes of the Additional Provision:—

To provide that the Bill shall extend to Scotland and that Her Majesty may by Order in Council extend all or any of the provisions of the Bill to the Isle of Man.

A copy of the said Bill and of the Additional Provision may be inspected and copies thereof obtained at the price of 70p for each copy of the Bill and 10p for each copy of the Additional Provision at 86 Tavistock Place, London WC1H 9RT and at the offices of the undersigned Solicitors and Parliamentary Agents.

Objection to the Additional Provision may be made by depositing a Petition against it. The latest date for depositing a Petition against the Additional Provision in the House of Lords is the date on which it is to be considered by a Committee of that House which has not yet been fixed but which will be after Parliament returns from its Easter recess. The last date for depositing a Petition against the Bill containing the Additional Provision in the House of Commons will be the tenth day after that on which the Bill receives its first reading in that House. If that date is a Sunday, Christmas Day, or a Bank Holiday, or a day on which the House does not sit, the final date for depositing may be postponed. Further information may be obtained from the undermentioned Parliamentary Agents.

Dated this 6th day of March 1981

HEWITT WOOLLACOTT & CHOWN
113 Cannon Street,
London EC4N 5AU
Solicitors

MARTIN & CO.,
3 Dean Farrar Street,
Westminster,
London SW1H 0DY
Parliamentary Agents

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All advertisements are subject to the conditions of acceptance of Times Newspapers Limited, copies of which are available on request.

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£3m Fife R.C. Applications totalled £14m £5m. bills outstanding.

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MARKSON PIANOS CHOPIN LIST

(continued on page 2

Broadcasting Guide

Edited by Peter Dear

PERSONAL CHOICE

Judy Holt as Anna Blake, a confused schoolgirl with separated parents in the first episode of My Father's House (ITV 9.00 pm)

A promising new serial begins this evening entitled My Father's House (ITV, 9.00). It has been adapted from Kathleen Conlon's novel by Paula Milne and she has handled a delicate subject with sympathy and just the right amount of humour. The story is about the traumatic effect a broken marriage has on a 15-year-old girl and, to a lesser extent her mother and brother. The father, after decamping from genteel Southport to London with an attractive lover five years previously, suddenly re-enters the children's lives, albeit by phone, when their mother collapses and has to undergo an operation. There are some realistic touches capturing the pre-permissive sixties like the schoolgirls discussing " it ", secretly reading selected parts of Tropic of Cancer and the mother's horror at finding her son' contaceptives. The part of Anna, the daughter, is played by Judy Holt, who is making her television debut. Helen Ryan is the wonderfully crabby mother with an injured-innocence air and Steven Mann is the taciturn brother Maurice.

This afternoon John Craven begins a new Breakthrough series of four programmes on nineteenth-century civil engineers (BBC 1, 5.05) Thomas Telford, the Scots designer of, among other things, the Caledonian Canal, is his first subject and in the programme John travels down this famous ship canal in a working tug and tells the story of how this son of a humble shepherd became the greatest engineer of his day.

A topical look at the business ethics of " Tiny " Rowlands is the subject of tonight's London Programme, The Battle for Harrods (London Weekend, 10.30). The programme examines the reasons why Lonrho wants to diversify still further and enter the retail business when most stores are experiencing a slump. What will be do if he gains control of the House of Fraser? Geoffrey Hodgson and his team attempt to find the answers.

Today the newly appointed Regius Professor of Modern History, Michael Howard, gives his inaugural address at Oxford. Radio 3 recorded his talk and it will be broadcast tonight at 9.10. In it the professor disagrees with the view held by the general public that history provides lessons and he discusses the obligations of the historian to the integrity of his subject in relation to the expectation of society.

WHAT THE SYMBOLS MEAN: †STEREO; *BLACK AND WHITE; (r) REPEAT.

TELEVISION

BBC 1

6.40 am Open University: Kepler's War; 7.05 *Curriculum in Action*: What did the pupils actually do?; 7.30 Welfare and Politics: Sweden. Closedown at 7.55.

9.05 For Schools, Colleges: Encounter: Germany; 9.25 Pole Vaulting; 9.52 Look and Read; 10.15 Maths; 10.35 The Mail Order Business; 11.02 Welsh language; 11.25 You and Me (not Schools). 11.40 Living Underwater; 12.05 pm 16 Up. Closedown at 12.30. 12.45 News.

1.00 Pebble Mill at One: The programme visits a South Devon farm where a tent makes lambing a lot easier. In addition Peter Seabrook has some more gardening hints in his regular feature, Dig This. **1.45 How Do You Do?** (r).

2.02 For School, Colleges: The Law of Life; 2.25 Job hunting. Closedown at 3.00.

3.20 Gwerinwr yn el Gastell: Welsh Folk Museum. 3.55 Play School (shown earlier on BBC 2). **4.20 Secret Squirrel**: Cartoon entitled Five is a Crowd (r). 4.25 Jackanory. **4.40 Finders Keepers.** **5.05 Break Through**: In the first of four programmes about nineteenth century civil engineers. John Craven tells the story of the Scot, Thomas Telford. **5.35 The Perishers**: An animated version of the Daily Mirror comic strip with the voice of Leonard Rossiter as Boot.

5.40 News, read by Kenneth Kendall 5.55 Regional news magazines. **6.20 Nationwide**, including at 6.45 Sportswide, introduced by Desmond Lynam.

7.00 A Question of Sport: David Coleman is the questionmaster when two teams led by Emlyn Hughes and Gareth Edwards compete with each other. Among the guests are Jill Hammersley and Sebastian Coe.

7.30 Coming Home: *The second episode in a six-part comedy series starring Roger Sloman and Philip Jackson.*

8.00 The Walls of Jericho: The final episode in the drama about Sophia Jex-Blake, the first lady doctor in Scotland. Sara Kestleman stars. **8.50 Points of View**: Barry Took with more viewers' comments—good and bad—about the programmes that appear on television.

9.00 News, read by Richard Baker. **9.25 Starsky and Hutch**: The two detectives investigate death threats that country and western singer Sue Anne has received (r).

10.15 Time of My Life: A comedy series about Ken Archer, a middle-aged man who is questioning his life style (r).

10.45 News headlines.

10.50 Royal Heritage: Hugh Wheldon, in this penultimate programme in the series, visits the homes of Edward VII.

11.50 Film: **The Thirty-Nine Steps*** (1935), starring Robert Donat and Madeleine Carroll. *Alfred Hitchcock's classic version* of John Buchan's exciting story of suspense and mystery. Film Ends at 1.20 am.

Regions

BBC 1 VARIATIONS: BBC Cymru/Wales. 1.45 pm-2.2 O Dan y Mor. 2.2-2.22 I Vegetable. 3.20-3.55 Closedown. 4.45-5.15 Florida. 5.15-5.40 Breakthrough. 5.55-6.20 Wales Today. 7.0-7.25 Heddiw. 7.25-7.55 O'r Diwedd. 7.55-8.25 Pride of Place. 8.25-8.50 Triangle. 10.16-11.5 Week in Week Out. 11.5-11.6 News. 11.6-12.5 am Royal Heritage. 12.5-1.30 Film: Destination Gobi (Richard Widmark). 1.30 Close. Scotland 11.0 am-11.20 Schools. 12.40 pm-12.45 Scottish News. 3.20-3.55 Closedown. 5.55-6.20 Reporting Scotland. 10.15-10.45 In Concert. 10.45-10.50 News. 1.20 am Close. Northern Ireland 11.2 am-11.25 Closedown. 3.20 pm-3.53 Closedown. 3.53-3.55 News. 5.55-6.20 Scene Around Six. 10.15-10.45 Spotlight. 10.45-10.50 News. 1.20 am News. England 5.55 pm-6.20 Regional Magazines. 10.15-10.45 East—Weekend London. South East—The Time Of My Life. Midlands—Midlands. Tonight. North—Rock Alibi. North East—Coast To Coast. North West—Unlucky For Some. South—Caden On Location. South West—Sou Watch. West—RPM Rock. 1.20 am Close.

BBC 2

6.40 am Open University: Stereochemistry; Conformations; 7.05 Maths: Maps; 7.30 Binomial Theorem. Closedown at 7.55.

10.35 For Schools, Colleges: Merry-go-Round.

11.00 Play School: Lesley Nightingale and Christopher Bramwell are the presenters and the story is How We Live by Anita Harper. Closedown at 11.25.

2.15 pm Horse-racing from Newbury. Four races beginning with the 2.30 and followed by the 3.00, 3.30 and 4.00. The commentators are Julian Wilson and Richard Pitman. Racegoing personalities are interviewed by Robin Gray. Closedown at 4.15.

4.50 Open University: Aver at Eton; 5.15 Man-Powered Aircraft: 1.

5.40 A Night in the Show (1915) *starring Charlie Chaplin. In this* film Charlie plays two parts—that of a well dressed gentleman in evening dress and Mr Rowdy, a tramp. Both characters cause havoc in a theatre; **6.05 Monkey.** A Japanese adventure story.

6.50 Speak for Yourself: *Advice* for people whose mother tongue is not English. This programme looks at the misunderstandings that can occur over a child's education.

7.15 News including a sub-titled synopsis for the hard-of-hearing. **7.25 Oxford Road Show**: Magazine programme from Manchester introduced by Rob Rohrer and Jackie Spreckley; **8.00 Gardeners' World.** Geoffrey Smith, with help from Arthur Billitt of Clack's Farm, sows plants for *bedding out,* transplants an evergreen and chooses some varieties for a new rose garden.

8.25 The New Homeless? Steve Bradshaw reports for Newsweek on the housing crisis and asks will we have a new generation of homeless in 1984?

9.00 Call My Bluff: *Robert Robinson is in the chair to test the knowledge and gullibility of* two teams.

9.30 Playhouse: **Clapperclaw** by Jack Shepherd. The scene is a pub in Yorkshire on VE Night 1945 *While the rest of the* country is celebrating, in this little corner of the realm the jollifications are muted for various reasons.

10.30 1981 World Figure Skating Championships: From Hartford, Connecticut.

10.50 Newsnight. Capitalism in the Kremlin is the title tonight and it is a report on how Dr Armand Hammer, head of Occidental Petroleum, has become capitalism's unofficial ambassador to the Kremlin

11.35 Davis Cup Tennis. *Highlights of the first day's play in* the match between Great Britain and Italy in Brighton.

12.00 Friday Night . . . Saturday Morning introduced by Australian barrister Geoffrey Robertson. His disparate group of guests tonight are Lesley Anne Down, Jill Craigie, Peter Hain, Bel Mooney and Clive James. The programme ends at approximately 12.55 am

THAMES

9.30 am For Schools: A trip along the Equator from Ecuador to the Andes with David Bellamy; 9.58 Birmingham through the eyes of a Chinese resident; 10.15 Market day in the French town of Bauge; 10.38 Evolution for A-levels; 11.02 *Stop, Look and Listen*; 11.14 Learning to Read; 11.26 Mathematics for seven to nine-year-olds; 11.43 For deaf and hearing impaired children.

12.00 The Magic Ball: Sam is taken by his magic ball to see what life was like in the Wild West (r); **12.10 pm Once Upon a Time**: Mark Wynter tells the story Monkey Gets a Fright; **12.30 A Better Read**: Bill Grundy with news of books on spies and secret agents and authors Ted Allbeury and Brian Freemantle recommend *titles to read (r).*

1.00 News: read by Peter Sissons; **1.20 Thames News**: with Robin Houston.

1.30 Together: *More drama about* the residents of Rutherford Court; **2.00 After Noon Plus**: Mavis *Nicholson interviews Jimmy Reid,* a former Communist, now a member of the Labour Party.

2.45 Film: **A Brand New Life** (1973) starring Cloris Leachman and Martin Balsam. Miss Leachman won an Emmy award for her portrayal of a middle aged wife who becomes pregnant for the first time.

4.15 Dr Snuggles: Cartoon adventures of a silly old inventor; **4.20 The Adventures of Black Beauty**: During a violent thunderstorm Black Beauty bolts and panics Squire Armstrong's horses (r); **4.45 The Extraordinary People Show**: The career of Max Early, composer of The Enchanted Orchestra, is traced by Graham Thornton; *5.15 Clapperboard*: Introduced by Chris Kelly. This afternoon Goldie Hawn talks about her role in Private Benjamin on which she is also co-producer.

5.45 News; **6.00 Thames news**: with Andrew Gardner and Rita Carter.

6.30 Thames Sport: The latest news about sporting activities in the London area and the rest of the country with Allan Taylor.

London Weekend

Simon Reed and John McCririck. *7.00 Family Fortunes*: The Grahams from Newbiggin, Northumberland, and the Scotts from Havant, Hampshire, compete for a prize that could reach £2,500 in this quiz compered by Bob Monkhouse; **7.30 Vegas**: Private detective Dan Tanna investigates a series of murders in which the victims all have one thing in common—a photograph.

8.30 Holding the Fort: The first *in a new comedy series in which* the roles of husband and wife are reversed. Russell (Peter Davison) runs his brewery business from home while his wife Penny (Patricia Hodge) pursues her career in the Army; **9.00 My Father's House**: Part one of a seven-part drama serial about a family separated by infidelity and the effect this has on the teenaged son and daughter (see Personal Choice). **10.00 News.**

10.30 The London Programme: Geoffrey Hodgson and his team *investigate the battle by Lonrho to* take over Harrods.

11.00 International Snooker Masters: Highlights of the two semi-finals in the Yamaha Organs Trophy being played at the Derby Assembly Rooms.

12.30 am Close: with Jack Peel reading Patriotism by Sir Walter Scott.

RADIO

Radio 4

6.00 am News Briefing.
6.10 Farming Today.
6.30 Today.
7.00, 8.00 News.
7.30, 8.30 Headlines.
9.00 News.
8.35 Yesterday in Parliament.
9.05 Desert Island Discs.†
9.45 Feedback.
10.00 News.
10.02 International Assignment.
10.30 Daily Service.
10.45 Story: Pests, by Valerie Georgeson.
11.00 News.
11.05 A Pity Success Has Come So Late in Life!
11.50 Natural Selection.
12.00 News.
12.03 pm You and Yours.
12.27 My Music.†
12.55 Weather.
1.00 The World at One.
1.40 The Archers.
2.00 News.
2.02 Woman's Hour.
3.00 News.
3.02 Play: Flowers for Ethel Annie, by Carol Brugger.†
4.05 Weigh-In.
4.15 Folktales (1).
4.45 The Trumpet Major (10).
5.00 PM.
5.55 Weather.
6.00 News.
6.30 Going Places.
7.00 News.
7.05 The Archers.
7.20 Pick of the Week.†
8.10 Profile.
8.30 Any Questions?
9.15 Letter from America.
9.30 Kaleidoscope.
10.00 The World Tonight.
10.35 Week Ending.†
11.00 The Painted Veil (10).
11.15 Financial World Tonight.
11.30 Today in Parliament.
11.45 BBC Sound Archives.
12.00 News.
12.15 am-12.23 Shipping forecast.

VHF
9.05 am Schools: Contact; Music Interlude; Country Dancing Stage II (6); Notice Board (2); Music Workshop.
10.30-10.45 Listen with Mother.
11.00-12.00 Schools: Exploring Society: Listening and Writing (6); Prospect (6).
2.00 pm-3.00 Schools: Let's Join In; Religious Education; Music Interlude.
11.00-12.00 Study on 4: Kontakte (19); *Allez France!* (18).

Radio 3

6.55 am Weather.
7.00 News.
7.05 Records: Shostakovich, Rachmaninov, Tchaikovsky (Nutcracker Act II).†
8.00 News.
8.05 Records: Purcell, Bach, Mozart (Sym 29).†
9.00 News.
9.05 Week's Composer: Stravinsky (incl Sym in 3 Mov).†
10.00 Songs (Kessler Parsons): Grieg, Brahms, Quilter.†
10.35 Violins (I. and V. Oistrakh), piano: Bach, Beethoven (op 47).†
12.15 pm BBC Northern SO/Downes (live from RNCM, Manchester), pt 1: Tchaikovsky, Rachmaninov (*Pno Conc 3—*Donohoe).†
1.00 News.
1.05 Story: Dead Ground in No Man's Land, by Giles Gordon.
1.20 BBCNSO, pt 2: Prokofiev (Prodigal Son).†
2.05 Apollo de Dafne, by Handel.†
3.00 Ensemble (Capricorn): Debussy, M. B. Watkins (Quintet—1st perf), Schoenberg (op 43), Messiaen (Quatuor).†
4.55 News.
5.00 Mainly for Pleasure.†
6.55 Play it Again: preview.†
7.00 Poetry Now.
7.20 Quartet (Gabrieli—live from Cardiff), pt 1: Haydn (op 77 no 2), Mathias (no 2—1st perf).†
8.15 One Pair of Ears: review.
8.30 Quartet, pt 2: Elgar.†
9.00 Lecture (Michael Howard): The Lessons of History.
10.10 City of London Sinfonia/Hickox: Berkeley, Searle (Contemplations—1st UK perf), Howells.†
11.00 News.
11.05-11.15 Record: *Granados.*

VHF
5.55 am-6.55 Open University: Artists and Antiquity; The Sociology of Religion: Scientific Approaches to Personality.
11.15 pm-12.55 am Open University: Science and Belief; The Map of the Ocean Floor; Health Choices—Making it Better; The Digital Computer; Peas and Probabilities.

Radio 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 5.30 Newsbeat. 5.45 Roundtable. 7.30 Anne Nightingale. 10.00 Friday Rock Show.† 12.00 Close.

VHF RADIO 1 AND 2: 5.00 am With *Radio 2.* 6.00 pm John Dunn.† 8.00 Jim MacLeod and his Band.† 8.45 Friday Night is Music Night.† 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

Radio 2

5.00 am Bob Kilbey.† 7.30 Terry Wogan.† 10.00 Jimmy Young.† 12.00 David Hamilton.† 2.00 Ed Stewart.† 4.00 Much More Music.† 6.00 Davis Cup. 7.00 John Dunn.† 8.00 Davis Cup. 10.00 Castle's on the Air. 10.30 The Organist Entertains. 11.00 Brian Matthew. 2.00 am-5.00 You and the Night and the Music.†

World Service

BBC World Service can be received in Western Europe on medium wave (648kHz, 463m) at the following times (GMT)—
6.00 am Newsdesk. 7.00 World News. 7.09 Twenty-four Hours. 7.45 Merchant Navy Programme. 8.00 World News. 8.09 Reflections. 8.15 Intermezzo. 8.30 The Book Programme. 9.00 World News. 9.09 Review of the British Press. 9.15 The World Today. 9.30 Financial News. 9.40 Look Ahead. 9.45 Music Now. 10.15 Merchant Navy Programme. 10.30 Smash of the Day. 11.00 World News. 11.09 News about Britain. 11.15 In the Meantime. 11.25 Ulster Newsletter. 11.30 Assignment. 12.00 Radio Newsreel. 12.15 pm Jazz for the Asking. 12.45 Sports Round-up. 1.00 World News. 1.09 Twenty-four Hours. 1.30 Best seller. 2.15 Letterbox. 2.30 John Peel. 3.00 Radio Newsreel. 3.15 Outlook. 4.00 World News. 4.09 Commentary. 4.15 Theatre [illegible]. 4.35 Letter from London. 4.45 The World Today. 5.00 World News. 5.09 The Week in Wales. 5.15 Music Now. 8.00 World News. 8.09 Twenty-four Hours. 8.15 Time Off. 8.45 Letter from London. 9.55 Waveguide. 10.00 World News. 10.09 The World Today. 10.25 The Week in Wales. 10.30 Financial News. 10.40 Reflections. 10.45 Sports Round-up. 11.00 World News. 11.09 Commentary. 11.15 From the Weeklies. 11.30 Smash of the Day. 12.00 World News. 12.09 am News about Britain. 12.15 Radio Newsreel. 12.30 About Britain. 12.45 Earth and Cosmos. 1.15 Outlook. 1.45 Masters of Early Music. 2.00 World News. 2.09 Review of the British Press. 2.15 Network UK. 2.30 The Book Programme. 3.00 World News. 3.09 News about Britain. 3.15 The World Today. 3.30 My Word! 4.00 Newsdesk. 5.45 The World Today.

WAVELENGTHS: Radio 1 medium wave 275m/1089kHz or 285m/1053kHz. Radio 2 med wave 330m/909kHz or 433m/693kHz and 88-91 VHF. Radio 3 med wave 247m/1215kHz and 90-92.5 VHF. Radio 4 long wave 1500m/200kHz and 92-95 VHF. Greater London area only; med wave 720kHz/417m. LBC 261m, 97.3 VHF, Capital 194m, 95.8 VHF. World Service: med wave 648kHz (463m). BBC Radio London 206m, 94.9 VHF.

REGIONAL TV

Tyne Tees

As London except: Starts 9.20 am Good Word. 9.25-9.30 News, 1.20 pm-1.30 News, Lookaround, 2.45-4.15 Film: Too Many Crooks* (Terry-Thomas, George Cole). 6.00 News. 6.02 Sportstime. 6.30-7.00 Northern Life. 10.30 News. 10.32-11.00 Come In, If You Can Get In. 12.30 am-12.35 Countryside Christian.

Channel

As London except: 12.00-12.30 pm Closedown. 1.20-1.30 News. 2.45-4.15 Film: Sitting Pretty* (Maureen O'Hara). 6.00 Channel Report. 6.30 Ladies First. 6.55-7.00 What's on Where. 7.30-8.30 Incredible Hulk. 10.28 News. 10.34-11.00 Soap.

HTV

As London except: 1.20 pm-1.30 News. 2.00 Houseparty. 2.25-4.15 Film: Moment of Danger* (Trevor Howard). 6.00 Report West. 6.30-7.00 Welcome Back Kotter. 7.30-8.30 Chips. 10.28 News. 10.35 Report Extra. 11.05-12.30 am Snooker.

HTV CYMRU/WALES: As HTV West except: 9.35 am-9.50 Am Gymru. 12.00-12.10 pm Ffalabalam. 4.15-4.45 Y Dydd'r Moroedd Gyfariod? 5.15-5.45 Muppet Show. 6.00-6.15 Y Dydd. 6.15-6.30 Report Wales. 10.35-11.00 Outlook.

ATV

As London except: 1.20 pm-1.30 News. *2.45-4.15 Film: Window in London* (Michael Redgrave). 6.00-7.00 ATV Today. 10.30-11.00 Soap. 12.30 am-12.35 News.

Southern

As London except. 1.20 pm-1.30 News. 2.00 Houseparty. 2.25-4.15 Film: Courage of Kavik the Wolf Dog (Ronny Cox). 5.15-5.45 Mr and Mrs. 6.00 Day by Day 6.00 Scene South East. 6.30-7.00 Out of Town. 7.30-8.30 Charlie's Angels. 10.30-11.00 Purbeck Stone. 12.30 am Weather followed by Talking with God.

Westward

As London except: 1.20 pm-1.30 News. 2.45 Film: Sitting Pretty* (Maureen O'Hara). 4.12-4.15 Gus Honeybun's Birthdays. 6.00-7.00 Westward Diary. 7.30-8.30 Incredible Hulk. 10.31 News. 10.34-11.00 Soap. 12.25 am-12.30 Faith for Life.

Scottish

As London except: 1.20 pm-1.30 News.

2.45-4.15 Film: Third Girl from the Left (Kim Novak, Tony Curtis). 6.00 Scotland Today. 6.25 Sports Extra. 6.45-7.00 Hear Here. 7.30-8.30 Incredible Hulk. 10.30-11.00 Ways and Means. 12.30 am-12.35 Late Call.

Grampian

As London except: Starts 9.25 am-9.30 First Thing. 1.20 pm-1.30 News. 2.45-4.15 Film: Storm in a Teacup* (Vivien Leigh, Rex Harrison). 6.00-7.00 North Tonight. 7.30-8.30 Charlie's Angels. 10.30 Points North. 11.30 Police Surgeon. 12.00 Sgeuchd Laitheau. 12.15 am-12.20 News.

Ulster

As London except: 1.20 pm-1.30 Lunchtime. 2.30 Film: Window in London (Michael Redgrave). 4.13-4.15 News. 6.00-7.10 Good Evening Ulster. 10.30 Witness. 10.35-11.00 Sportscast. 12.30 am-12.40 Bedtime.

Anglia

As London except: 1.20 pm-1.30 News. *2.00 Houseparty. 2.25-4.15 Film:* Green Fire (Stewart Granger, Grace Kelly). 6.00-7.00 About Anglia. 10.30-11.00 7 Days. 12.30 am Film: Cabot Connection (Craig Stevens). 1.30 At the End of the Day.

Granada

As London except: 1.20 pm-1.30 Granada Reports. 2.00 Live From Two. 2.50-4.15 Film: Man Without a Country (Robert Ryan). 6.00 Granada Reports. 6.30-7.00 Kick Off. 10.30-11.00 Work on Friday. 12.30 am-1.30 Chopper Squad.

Yorkshire

As London except: 1.20 pm-1.30 News. 2.45 Film: Green Grow the Rushes* (Richard Burton, Honor Blackman). 6.00 Calendar. 6.30-7.00 Sport. 7.30-8.30 Hawaii Five-O. 10.30-11.00 Soap.

Border

As London except: 1.20 pm-1.30 News. 2.45 Film: Mask of Alexander Cross (Paul Shenar). 4.05-4.15 Cartoon. *6.00 Look around. 6.30-7.00 Out of* Town. 7.30-8.30 Charlie's Angels. 10.30-11.00 Your MP. 12.30 am-12.35 News.

Entertainments Guide

Classified Guide

Appointments Vacant	21
Business to Business	22
Domestic Situations	22
Educational	21
Financial Notices	22
Flat Sharing	22
For Sale	22
Legal Notices	22
Motor Cars	22
Musical Instruments	22
Parliamentary Notices	22
Property	21
Rentals	22
Secretarial and Non-Secretarial Appointments	21
Services	22
Situations Wanted	22
Wanted	22

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ALSO ON PAGE 22

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WAPPING WINE BUY BEFORE BUDGET!

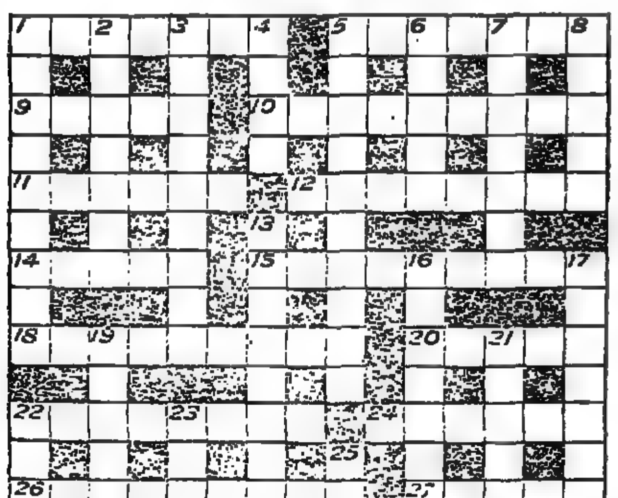
(continued on page 22)

A WEDDING IN THE AIR and setting up home?

DON'T MISS "THE TIMES" SPECIAL SUPPLEMENT on Saturday, 7th March for our "BRIDE AND HOME"

It's going to include details on Weddings, Gifts, Honeymoons and ideas for your home.

The Times Crossword Puzzle No 15,467



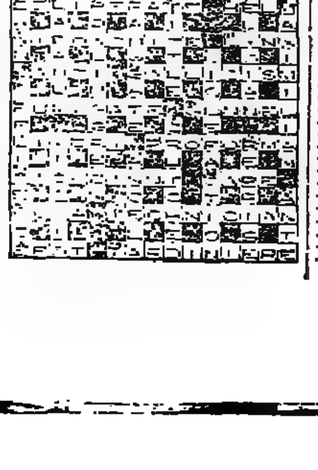
ACROSS

1 Harrow leader takes rowing men to the top (7).
5 Mark claims entry to the news conference? (7).
9 Impressionist opera girl gets a note (5).
10 I need badly to get round Hilary to decide (9).
11 He plays Orpheus (6).
12 Force needed to grab money—so original! (8).
14 Fair lady doubles her money in spelling contest (5).
15 Modern instruments her hidden in cases long ago (5).
18 Too much like the music Orsino asked for (7).
20 Prone to be loud, thus, in the air (5).
22 Tea a drug perhaps for a successful student? (6).
24 Pickwickian picked out with a pin? (6).
26 Pay back bruiser for tangling with me (9).
27 Her letter from Greece gets Russian agreement (5).
28 Motors seen in poor shape when without spirit (7).
29 Intrinsic nature of letters written to the Church (7).

DOWN

1 Unpretentious letter to a sweet manufacturer (6-3).
2 Wicked to take one before midsummer exam (7).
3 He's struck by wandering pedlars (9).
4 Pretentious air put on by 15 players (4).
5 Bury runner is an intrusive fellow (10).
6 Cuts in twos, say (5).
7 Rebellious conduct fails to start an issue (7).
8 Part of the Act is soundly perceived (5).
13 Criticism is exact, sure, but rough (10).
16 Cleopatra taking cue from Meridian for this? (9).
17 Easter egg can be set apart (9).
19 Among the rich a singular pursuit? (7).
21 Writer's source no longer used (3-4).
22 Yorick's condition caused Hamlet's to rise (5).
23 City page (5).
25 Pure pool (4).

Solution of Puzzle No 15,466



هكذا من الأصل

FINANCE IN THE ARAB WORLD

In 1978, the Western industrial nations breathed a small sigh of relief. The Opec countries' surpluses of foreign currency, which in the mid-1970s had looked likely to break the financial system, had dwindled. Falling real oil prices and rising consumption in Opec nations had reduced the collective surplus to only $5,000m.

In 1981, the surpluses and the problems they pose for the world's financial markets are back with a vengeance. Opec countries are expected to have a surplus of about $90,000m this year in spite of severe recession in the West. Morgan Guaranty, which was one of the more optimistic forecasters about prospects for getting the surplus down, now expects well over $70,000m a year being added to the Opec nations' store of funds.

There is thus no getting away from the need to ensure that these surplus funds are managed properly. Nor would the commercial banks of the West, who have done well for themselves in many areas as a result of handling these funds, really want it any different. But there are growing pressures to change the nature of the operation, bringing in governments and international agencies such as the International Monetary Fund to bring some stability into the process.

These pressures will grow because of the nature of the recycling which has to go on. The money which belongs to Opec surplus countries such as Kuwait and Saudi Arabia is the mirror image of huge deficits in the West and in the developing nations. *It is estimated that* in 1981 the industrial countries will have a deficit of $23,000m and developing nations one of $82,000m.

The developing countries are adding debts to a burden which is already too large for them to cope with. They already owe well over $300,000m, which is equivalent to nearly a fifth of their annual national products. Many of them are already up to the limits of borrowing which banks will allow them. Others are able to get money only because the alternative is to declare them in default, something which banks are determined to avoid doing.

Although the commercial banks, led by the Americans, were remarkably successful at handling the recycling of money last time around, they will not be able to handle the Opec surpluses in prospect. On even optimistic assumptions, there will be a huge gap between what the developing countries need and what the commercial banking system will be able to deliver.

That gap will have to be closed in two ways. One is for the Opec countries to help the international agencies of the world to channel funds to developing countries. The IMF is working on a plan to raise nearly $10,000m, *either direct from* Opec countries or in the international capital markets. It makes little practical difference which is done, since in the first instance the money will come from Opec governments direct; in the second case it will come through the Euromarkets.

In either case, the borrowing will have to fit in with what has become the standard pattern for Opec investment requirements. The money has to be kept in a liquid form (or at least a large part has to be) and increasingly it has to be denominated in a form which *exposes the country to less* risks than keeping everything in dollars does.

So far, it has been the Western banks which have most obviously fulfilled these criteria. Although there has been some direct investment, particularly by Kuwait, the most financially up to date of the big surplus countries, deposits at Western banks, or government bills from countries such as the United States, have been the obvious attraction.

These Western private banks will continue to play a key role. The attraction to them is obvious. Handling Opec money is now an essential component of any bank wanting to have a successful *international operation* and it is international operations which have provided the growth and the profits in banking in recent years.

But for the Opec countries themselves, there are growing *attractions in not wanting* to be wholly reliant on foreign banks for expert skills and services.

For example, although Saudi Arabia is a heavy user of Western banks (it is reputed to have at least $500m with each of the top 20 banks in the world), it has formed a major bank of its own to operate in Euromarkets. The Saudi International Bank is half owned by *the country's monetary* agency and half owned by international banks.

Over the past five years there has been heavy pressure on foreign banks operating in the country to become largely Saudi-owned joint stock operations. There has also been a growing dependence on offshore banking operations in countries such as Bahrain, which is rapidly developing into a regional banking centre for The Gulf. Even some Saudi banks have set up such operations.

The two other main banks through which Arab countries are building a special presence in international markets are the Gulf International Bank (GIB) and the Arab Banking Corporation (ABC).

GIB is the older, with seven nations in the Gulf peninsula owning a capital *in 1980 of $120m. Although* Kuwait is one of the members of the GIB consortium, it is also one of the prime movers in the ABC bank, which with a capital of $1,000m looks set to become important in international banking. It has already made loans to Bahrain, *Hungary and Brazil.* A high proportion of the staff is likely to come from Western countries in the early stages, though the three owners (Kuwait, Libya and Abu Dhabi) intend to ensure that control remains firmly in Arab hands.

There is no doubt that ABC intends to make an impact *in the world financial* markets and it clearly makes sense that Arab countries which have large funds of their own to manage should start building up banking skills. In many ways, it makes more sense to seek to develop this, rather than manufacturing industry, as *the future source of employ*ment and activity.

Too much should not be expected. There is little like*lihood of the Arab banking* centres going into competition with places like Luxembourg as straightforward financial markets. The activities in the Arab banking world are likely to remain fairly *firmly linked to the funds* which flow from oil. But they will grow as both the scale of the oil funds increases and *as the countries build up* their skills. After all, it took many years for the Arab countries to take over their oil industries, but this is now the normal pattern with *Western companies playing* a management or a consumer role in the process.

The same could happen to a lesser extent in banking, with Arab banks and finance houses playing an increasingly important role in their own right on the world stage. Up to now, the Arab world has been more banked upon *than banking in its dealings* with the rest of the world. Slowly but surely that is starting to change.

David Blake
Economics Editor

Clerks at work in the Saudi Investment Bank, Jiddah. Right: a street *money changer in Oman.*

FINANCE IN THE ARAB WORLD

Michael Prest finds the Arab banks' international growth still small, but asserts that their involvement will increase

Oil boom heirs seek to penetrate the US market

After almost 10 years of high oil revenues and burgeoning economies it is not surprising that Arab banks and bankers are found all over the world: Finance capital is international and, like their oriental and occidental counterparts, the Middle East bankers follow the business.

In a sense Arab banks have to be more adventurous and aggressive in seeking custom. They are relative newcomers and do not have the powerful and intricate networks built up by western banks. Also there is an important and often overlooked distinction between recycling official funds and conducting private business.

Recycling has largely been in the hands of the major international commercial banks which accept deposits from the central banks and monetary agencies of the surplus revenue countries.

Arab commercial banks are not, in the main, big enough to handle recycling, but they are the economic and national representatives of the boom which oil has brought to their countries of origin. Developing economies need financial services, and merchants need trade finance. As one kind of financial operation is not readily separable from another, and since banks grow and pay their shareholders only by competing, the Arab commercial banks have put up brass plates around the world.

Until the quadrupling of oil prices in 1973-74, banking with and for the Arab world was chiefly carried on by the former imperial institutions: the British Bank of the Middle East, Grindlays, Standard Chartered, and their French equivalents. Since that turning point, the outward movement of the Arab commercial banks has gone through two stages, and is entering a third.

The first stage was the founding at home of commercial banks to meet local needs.

At the same time, existing and new Arab banks began to participate in consortium banks, a relatively safe way for Arab and western banks, and for Arab governments, particularly in The Gulf, to participate in the banking boom and gain valuable international experience.

The consortium banks such as Union de Banques Arabes et Françaises (UBAF), Bank of Credit and Commerce International (BCCI), Frab Bank International, and Banque Arabe et Internationale d'Investissement introduced a generation of Arab bankers to the international markets.

Some of these institutions preceded the oil revenue explosion of the mid-1970s, and many were heavily staffed and influenced by Lebanese bankers and businessmen fleeing from Beirut, hence the often strong French connexion. It was also a period which saw a general expansion of consortium banks, predominantly set up as a way into the rapidly growing Euromarkets.

A few of the better established Arab commercial banks, notably the Arab Bank itself, had offices outside the Middle East, London and Paris being the main centres. But the second half of the 1970s saw another trend: not content with domestic business, and anxious to make an impression commensurate with their wealth, the new Gulf commercial banks and semi-national ones such as the National Commercial Bank of Saudi Arabia, the National Bank of Abu Dhabi, the National Bank of Bahrain, and the Qatar National Bank opened offices abroad.

The long-term aim of these banks is to put themselves on the same footing as the well-established European and American institutions, but a number of other companies with more limited aims appeared about the same time as well. Institutions such as the Banco Saudi Espanol, the Arab Hellenic Bank or the Saudi British Bank were started with joint shareholdings to finance trade between the participating countries. The capitalization of such ventures does not, on the whole, match that of the other commercial banks.

Private investors were also looking for discreet ways of placing funds outside The Gulf. The big international banks and prestige merchant or investment banks play a role here, though in the latter case some Arab clients are suspicious of Jewish connexions. Regardless of whether those suspicions are justified, investors as rich as many merchants in the Middle East or members of ruling families in Saudi Arabia and The Gulf are looking to countries such as Switzerland and Luxembourg.

Switzerland was especially attractive because of its tradition of secrecy, the strength of the Swiss franc, and its pivotal position in the gold trade. Luxembourg's function is different. It is much less restrictive than Switzerland, allowing many kinds of companies to register there.

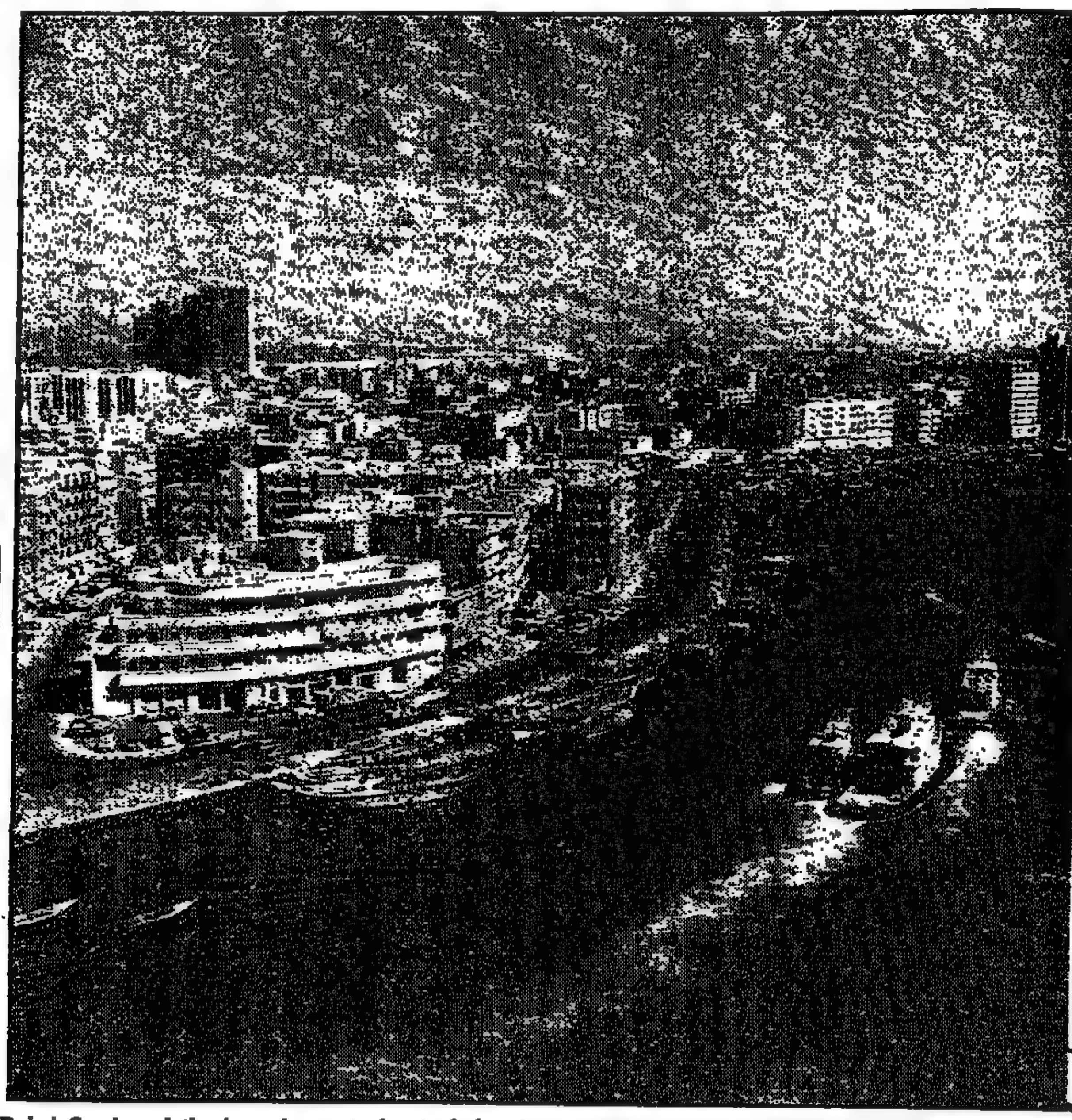
Quite a few basically private investment vehicles, such as the Arab International Trust, in which members of ruling families in the UAE among others have stakes, and the Arab Real Estate Finance and Investment Company, are also registered in Luxembourg.

Many of these activities are several years old, but more recently Arab banks and investors have begun to look seriously farther afield. Founded in 1977 and based in Peru, the Arab Latin American Bank (Arlabank) is rather a pioneer. With 27 shareholders in 18 countries it tries to channel investment to Latin Ame

Arlabank has a Bal operation and at the en last year acquired an o in London. On the other of the world the Malaysian Development and Arab-Malaysian Fin Berhad have much the aims as Arlabank.

A crucial part of the phase is penetration of last great market- United States. Arab inve have been dogged with fortune when attemptin acquire American ban interests, as the long-run story of Financial Ge Bankshares shows. But Arab banks or banks major Arab particip have set up offices, the l additions being the Na Bank of Abu Dhabi, the International Bank, and National Commercial of Saudi Arabia.

Since American h dominate the comme and recycling businesses Arabs are partial to in ment in the United St expansion of Arab ban in that country seems in able despite the regula and chauvinist obstacles in its path. That would plete the process begu decade ago.



Dubai Creek and the imposing waterfront of the city, centre of internationally growing Arab banking.

Banks' impact in Europe is limited

In January, 1980, the international banking community was given notice of a new force in its midst. The Arab Banking Corporation opened in Bahrain and announced that its authorized capital was to be $1,000m.

It is the most spectacular example of a trend towards bigger capitalization which has characterized Arab banks, particularly the consortium banks, over the past 18 months or so. At about the same time the Gulf International Bank raised its authorized capital by 150 per cent to $270m.

If one allows that banks can lend up to 15 times their paid-up capital, the ABC's muscle will be considerable. This is not before time. Arab banks are still small by international standards—none is among the top 150 and only a handful get into the list of 50 biggest Euromarket lenders. Moreover, many of these which do figure on the world scene are consortium banks rather than ordinary joint stock banks.

Consortium banks are a slightly strange breed. They arose during the late 1960s to cope with the heavy lending requirements of a rapidly expanding Euromarket. It was the first taste Arab banks had of the Euromarket and through their participation in Union de Banques Arabes et Francaises, Banque Arabe et Internationale d'Investissement, Frab Bank and the European Arab Bank the potential importance of Arab commercial banks was first realized.

ABC is somewhat different because its owners are all governments, whereas many of the 30 shareholders in UBAF, for example, are commercial banks, albeit with small stakes. The three shareholders in ABC are the Kuwait Ministry of Finance, the Libyan Secretariat of the Treasury, and the Abu Dhabi Investment Authority. Here ABC is following the example of the Gulf International Bank, established in Bahrain almost six year ago, in which the governments of Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates have 14.3 per cent each.

No doubt the founders of ABC hope they will imitate the GIB in another respect too. GIB has become the leading Arab bank in syndicated loans, being the lead manager last year for loans valued at more than $2,500m, including five syndications of $500m. Although this is well behind the leaders such as Citicorp, Chase Manhattan and Lloyds Bank International, it is a creditable performance.

But GIB's ambitions do not end there. Its management, headed by Mr Abdullah Saif, the director general of the Bahrain Monetary Agency, wants to build up a bank capable of offering the gamut of services available from the big American and European banks.

While ABC is already making its mark in the Euromarkets, other Arab banks are also moving steadily up the rankings. UBAF has enjoyed a strong position since its inception in the wake of France's realignment towards the Arab world in the late 1960s. UBAF's syndicated loan business is about four times bigger than GIB's, although the rate of increase has slackened in recent months, partly because Euromarket activity has been low.

The other significant Arab presence in the Euromarkets is the Saudi International Bank. Established in London in 1975, the SIB is half owned by the Saudi Arabian Monetary Agency. The remainder of the equity is owned by the National Commercial Bank of Saudi Arabia (2.5 per cent), Rijad Bank (2.5 per cent), Morgan Guarantee Trust (20 per cent), and by Bank of Tokyo, Banque Nationale de Paris, Deutsche Bank, National Westminster Bank, and Union Bank of Switzerland with 5 per cent apiece.

What is interesting about the ABC, GIB and SIB is the extent to which they are vehicles of national policy. Since they have substantial government stakes, they are in effect conduits through which governments with current account surpluses invest their funds.

The Euromarket is just one aspect of international banking, although the looseness of the term conceals how much it covers. All these banks are also interested in trade finance, the bond markets, private business, and even cheque accounts. But it is helpful to draw a distinction between the quasi-government banks such as those discussed, with huge amounts of money to invest and potentially more, and private commercial banks which may also be in the Euromarkets but whose chief function is to make money for their shareholders

In so far as the "surplus" invested abroad by oil producers comprises funds owned both publicly and privately the impact on the international economy of public and private banks does not greatly differ. Nevertheless, the greatest of the private Arab banks—National Commercial B of Saudi Arabia, National Bank of Abu Dh and the Arab Bank—h only recently appeared the upper reaches of Euromarket rankings.

Despite the undout achievements of the con tium banks and a handfu heavily capitalized, gov ment-backed instituti Arab commercial banks h so far had only lim impact on the Euromark Indeed, it may be that t are less influential than Kuwaiti investment hou have been in the bond m kets. The presence, howe of the Kuwait Investm Company, the Kuw Foreign Trading, Contr ing and Investment C pany, and the Kuwait Int national Investment C pany (the "three Ks") been reduced by the depr sion in the bond mark resulting from high Ame can and British inter rates.

But the Arab involveme will grow. Time, determi tion and ample funding a on their side. The n institutions such as the A are as much held back the shortage of skilled a experienced management by the relatively low level business in the internation capital markets.

Staff problems can overcome by training Ara and other Muslims and paying generously f expatriates. When Eur market activity revives, it most likely that the Ar banks will be pushing ba for business, possibly cuttin spreads and lengthening ma urities even further. Wester bankers would do well keep an eye on the ABC.

Rodney Wilson looks at the long-term implications of the American hostage crisis in Iran and the new role of the City of London

Faith in major Western banks has been shaken

The greatest boost to the development of Arab banking in recent years was unwittingly given by former President Carter's decision to freeze Iranian assets as a result of the hostage seizure. Although that crisis is now ended, and the Iranian assets unfrozen, the American action has prompted considerable rethinking in Arab financial circles. There is little doubt it will have consequences for recycling strategy for a long time to come.

Faith in the most important Western banks in general as deposit takers, and United States banks in particular, has been fundamentally shaken. The Arab oil surplus states are now concerned *to see a much larger* proportion of their funds channelled through their own banks and financial institutions, rather than through foreign outlets over which they have little ultimate control. Even politically moderate Arab governments are concerned, while those with more hawkish tendencies are despondent that the so-called oil weapon no longer exists as a threat, as Western governments could easily repeat the type of action taken over Iran.

The vulnerability of assets held within the United States was always realized, *but the shock for the Arabs* was to discover that Eurodollar and other Eurocurrency deposits held in American banks overseas could also be blocked. A crucial reason for the emergence of Euromarkets in the first place had been the fear by communist states in the 1950s that if tensions increased during this period of cold war, any dollar assets they accumulated might be in danger.

The communist world believed that deposits held in London or Paris, even those with American banks, were beyond the jurisdiction of American law, and saw the payment of interest rates in excess of those prescribed by the Federal Reserve Authority, under regulation Q, as proof of this legal immunity.

As a result of the emotion engendered by the hostage crisis, many American banks wanted to comply with the spirit as well as the letter of United States law, possibly because of worries about their public images domestically, but more likely out of genuine concern for the fate of the hostages. Thus they unilaterally decided to block *Iranian deposits regardless* of where they were located geographically.

The legality of this action has been the subject of much debate among international lawyers ever since, and the issue has still not been resolved, even though it *matters more in principle now than in practice*, with the unfreezing of the assets. Action by two American banks, in particular, caused concern among the Arabs, and the London financial community generally.

First there was what was regarded as a precipitate move by Chase Manhattan in declaring a \$500m syndicated loan to Iran in default, as Tehran could not service the loan with its deposits frozen. Second the Chemical Bank in London sought an injunction to prevent the movement of Iranian funds within British banks because of liabilities owed to it by Iranian banks and institutions. It wanted to be the first to stake its claim.

This type of action alone was sufficient to cause Opec concern about the European as well as the American banks. This concern intensified as a result of the *pressures* put by the United States on the European members of Nato at the political level, as the Carter Administration sought supportive action by its allies in the hostage crisis. Those Arab countries which had never differentiated between the United States and Western Europe politically, had their worst suspicions confirmed, namely what they saw as a Western conspiracy taking place under the leadership of the United States.

Some states, at least, decided to deploy more of their assets *in Far Eastern* markets, and in decidedly neutral countries such as Switzerland, in case the same ultimate fate might befall them as happened with Iran's \$9,000m worth of assets. There were some purchases of gold and other precious metals, although the Bunker Hunt episode served as a warning of the dangers in these markets. At the same time there was some reexamination of the absorptive capacity of the Arab world itself.

These options are only partial solutions however, as the magnitude of the Arab *surpluses is such that* the main reliance will continue to be on Western financial markets. Saudi Arabia, Kuwait and the United Arab Emirates have long realized this, but so also do Libya and Iraq, despite the repeated attempts to diversify their asset holdings. Nevertheless one precaution that can be taken is to ensure that as high a portion as possible of their assets are channelled through Arab-owned and controlled banks.

Such banks still have to comply with the laws of the countries in which they operate, but at least they will also try to act in accordance with the interests of their countries of origin as far as possible. To some extent the behaviour of the most important American banks during the hostage crisis has taught Arab financiers a lesson. These institutions were supposedly multinational, and believed to respond only to politically neutral market forces, yet ultimately they reacted with some degree of patriotic fervour. If American banks can act in this way, why not, it *is argued*, use Arab banks that can follow this example?

Banks from the Arab oil-surplus states have, therefore, started to strengthen their presence considerably in international financial centres, both by opening new offices, and up-grading the status of existing establishments from representative offices to fully-fledged branches. At the same time they are trying to diversify their range of operations, so that they not only merely redeposit funds with important Western banks, but seek out direct lending opportunities themselves.

There is a new willingness to hire Western bank staff, so that the shortage of skilled and experienced Arab banking staff does not slow the expansion process.

Dr R. J. A. Wilson, of Durham University, is a specialist in Middle Eastern economics.

The crisis over, the American hostages prepare to board an aircraft for home at Rhein-Main air base.

Replacing Beirut as the money centre

Ever since the Lebanese civil war there has been much speculation about which city would replace Beirut as the centre for Arab banking. Today it seems there has only been one real heir to Beirut, and that is undoubtedly London. This new role for the city may appear surprising, but the figures speak for themselves, as London has a wider range of Arab financial institutions represented than any single Arab centre.

At present London has 25 Arab banks compared to 20 in Bahrain, the other aspirant to fill the vacuum left after Beirut's demise. In addition the range of financial activities in which the Arab banks in the British capital are engaged is much wider than in any Middle Eastern financial centre. Bahrain for instance is essentially a money market centre, with the emphasis on so-called wholesale banking, whereas in London most of the Arab banks maintain full branch offices, involved not only in wholesale transactions through the interbank market, but also providing a complete range of retail services to both business and private customers.

The expansion of Arab banking in London has been especially marked since 1976, as before then only five banks were *represented*, including such old established institutions as the Arab Bank and the Rafidain Bank. These represented Jordanian and Iraqi interests respectively, as both of these countries had strong historical links with the *United Kingdom*, dating back to the time of the sterling area.

In the past four years however 20 further Arab banks arrived, 12 during the 1978 to 1980 period alone. Their motivation in coming to London was not primarily to ease bilateral financial dealings between their countries of origin and the United Kingdom, but rather to participate in the buoyant Eurocurrency and Eurobonds markets, for which London is the world's leading centre. At the same time they aimed to provide a full range of banking services for the increasing numbers of Arab visitors who had substituted London for Beirut, many of *whom were the banks' own* customers.

There are now sufficient Arab banks in London to categorize them into groups according to activities. First there are the banks representing individual Arab countries which are privately-owned commercial institutions, such as Kuwait's Gulf Bank, the Jammal Trust Bank of Lebanon, or the Khalij Commercial Bank of Abu Dhabi. These banks act on behalf of clients in their countries of origin, although they also arrange business for British customers, most of whom are either involved in exporting to the country the bank represents, or in undertaking contract work.

In addition, as London serves as a financial centre for much of Western Europe, the banks may also be involved with continental customers from countries where the banks are not represented. Often when Arab banks decide to branch out overseas, but only wish to establish one foreign branch initially, their first preference for location is London.

A second type of Arab bank in London is the part or wholly state-owned institution, also representing single Arab states, such as the National Bank of Abu Dhabi, which is two thirds government owned, or the Qatar National Bank, half state owned. These not only handle business on behalf of their private customers, but also act for the governments of their countries of origin.

They arrange, for example, syndicated Eurocurrency lending in collaboration with other Arab and non-Arab banks in London, and find that having a London office brings them to the attention of potential lead managers in a way that would not *otherwise have been the* case. Some, such as the National Bank of Abu Dhabi, have a city office that specializes in this type of business, while providing ordinary retail banking services through an additional office in the West End.

In the final category of Arab institutions in London are the consortium banks, although these are much more heterogeneous in nature than the other two types. Some, such as the European Arab Bank or UBAF Bank are joint venture institutions, usually with *a large number of both* Western and Arab banks included in the shareholders. They were created to bring together Opec capital with European or American banking knowledge, but London is only a secondary centre for such institutions, as much of the original inspiration for their creation came from the Paris banking community in the late 1960s in the wake of French government overtures towards the Arab states.

Of more significance in London are the joint Arab venture banks, such as Gulf International, which is jointly owned by the governments of Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Another Arab consortium institution is the United Bank of Kuwait, which although wholly Kuwaiti, is owned by nine different banks and financial institutions, which decided to pool their resources for overseas operations.

The cautious Saudi Arabian banks adopted the same tactic by founding the Saudi International Bank which serves as a listening post for the Saudi Arabian Monetary Agency in London, as it owns half the *capital. Saudi International* also represents the country's two major domestic banks, although the National Commercial Bank of Jiddah has recently established an office of its own.

Undoubtedly the most active Arab bank in London is the Bank of Credit and Commerce International, which is largely owned by interests from the United Arab Emirates, Bahrain and Saudi Arabia, including members of the royal families of these states. Often regarded as the Arab world's foremost multinational business, it already has 26 London branches, as well as branches throughout the north of England where it serves local Muslim communities. Many of its staff are Pakistani rather than Arab, but in London it accounts for a high proportion of the foreign exchange *dealings* by Arab visitors, and is a major force in ordinary retail banking.

It is ambitious to expand further in London and its branch network in the United Kingdom already exceeds its network in the United Arab Emirates, where hitherto it was most strongly represented. If present trends continue, it will not take long for other Arab banks to be in the same position.

Khartum: most of the Arab Monetary Fund's financing has gone to Sudan.

Michael Prest traces moves to increase financial cooperation

Monetary fund fosters unity

Arab unity has been a cherished ideal for almost a century. But while political unity has proved elusive (a succession of appeals to pan-Arab sentiment and attempted unions of Arab states have enjoyed only a short life), a degree of financial and monetary co-operation, if not unity, is now developing.

In the vanguard is the Arab Monetary Fund. Modelled on the International Monetary Fund, it was established as the result of discussions by the Arab League's Council of Arab Economic Unity in Rabat in 1976. IMF officials helped to draw up its charter, which describes the AMF as an institution for giving multilateral balance of payments support rather than aid.

Behind this important distinction lie several ambitious strategic objectives. The AMF is committed to encouraging Arab economic integration, promoting Arab money markets and working towards a single Arab currency. It also advises members on how best to invest their funds, particularly in foreign markets where their value is threatened by inflation and currency fluctuations.

The AMF's membership embraces all 21 country members of the Arab League and the Palestine Liberation Organization. As with the IMF, voting strength is proportionate to shareholding. So Algeria and Saudi Arabia, which have 760 shares each, are the biggest participants, followed by Egypt, Iraq and Kuwait with 500 each. The United Arab Emirates has 300, and Morocco, Qatar and Sudan took up 200 each.

Operating from headquarters in Abu Dhabi and run by Mr Jawad Hashim, a former Iraqi Minister of Planning, as president, the AMF also imitated the IMF by devising an accounting currency. Whether one sees the Arab accounting dinar (usually just called the Arab dinar) as another accounting device, like the special drawing right or European currency unit, or whether it should be considered the forerunner of an Arab currency, is debatable.

Nevertheless, the Arab dinar has found widespread acceptance, chiefly because loans are disbursed in hard currency although entered into the accounts as Arab dinars. Thus the AD is valued at three SDRs, but when at the end of last year Sudan faced a serious shortfall in its cotton crop, it received from the AMF a loan of $20m to help to cover the balance of payments deficit.

In this sense the AMF is facilitating the flow of funds rather than advancing a new currency. Much of its financing, the biggest part of which has gone to Sudan, has been to maintain payments equilibrium between countries.

Low interest rates of between 3.75 per cent and 4.75 per cent have made AMF financing very attractive. But loans are not necessarily easy to raise. With an authorized capital of about $1,000m, the AMF scrutinizes requests carefully. Automatic payments are made if they do not exceed 75 per cent of the borrower's subscription. An ordinary loan may be up to 225 per cent of the country's paid-up capital.

In more demanding circumstances the AMR can also make extended loans over seven years to ease structural balance of payments problems, and emergency compensatory financing, such as that to Sudan, can be given.

Although the number of AMF loans is small, the organization is already considering more ambitious plans. At its next meeting in April the board of governors is likely to examine a proposal for an inter-Arab payments system. This would be a big step forward in smoothing the flow of funds between members and within the Middle East. Under the scheme, Arab central banks would clear payments to each other through the AMF.

Such plans take time to mature, but one institution operating an elaborate regional programme is the Inter-Arab Investment Guarantee Corporation. Based in Kuwait, it is in some ways complementary to the AMF. While the latter provides assistance with balance of payments and currency, the former assures official and commercial providers of development aid.

The IAIGC was set up in 1975, almost a contemporary of the AMF, and has 19 members who have subscribed about $80m capital. Unlike the AMF's, the insurance body's capital is undetermined, but the emphasis on Arab cooperation and development is similar. First among the IAIGC's priorities is insuring joint Arab projects and schemes promoting Arab economic integration.

Investments designed to help a host country's individual economy will also be backed, and the corporation is prepared to examine projects which it regards as desirable but which might not come to fruition without a guarantee.

A wide range of risks and projects is covered. Agriculture, property, industry, tourism, and construction equipment have all received the IAIGC's support. But the crucial importance of the corporation is that it takes on risks other than narrowly commercial ones. War and revolution, confiscation and nationalization currency changes and restrictions on profit repatriation, and even bureaucratic delays can be covered. Willingness to assume these risks is partly a reaction against the caution of, and alleged high premiums charged by, Western insurers.

Not all the new bodies furthering Arab financial integration are public or quasi-government. Last March 100 Arab bankers gathered in London for the inaugural meeting of the Arab Bankers Association. The president of the board, which has 19 members, is Mr Bashir Zoubairi, group general manager of the European Arab Bank. He also runs the Union of Arab Banks founded in Beirut in 1975.

The ABA is different because individual bankers rather than companies are members. It is more a kind of professional association, aiming to encourage expertise and standards among Arab bankers. It could additionally become an arbitrator, a role possible only if its integrity is accepted by all parties.

The private nature of the ABA is underlined by the fact that it grew up under the wing of the Arab British Chamber of Commerce, whereas the UAB developed within the Arab League. Moreover, Arab bankers working for non-Arab banks are eligible for membership. Unity may grow from the bottom up, rather than by constructing grand multilateral organizations.

Basic statistics

Top 50 Arab banks 1979 ($m)

Bank and country	Established	As[sets/]liab[ilities]
National Commercial Bank—Saudi Arabia	1938	[illegible] ('79)
Rafidain Bank—Iraq	1941	8
Commercial Bank of Syria—Syria	1967	7
Arab Bank—Jordan	1930	6
Banque Nationale d'Algérie—Algeria	1966	5 ('31.
Banque Exterieure d'Algérie—Algeria	1967	5
National Bank of Abu Dhabi—UAE	1968	4
National Bank of Kuwait—Kuwait	1952	4
Riyad Bank—Saudi Arabia	1957	4 (un solid
National Bank of Egypt—Egypt	1898	4 (un solid
Gulf Bank—Kuwait	1960	4.
Bank of Credit & Commerce International—Luxembourg	1972	3 (un solid
Alahli Bank of Kuwait—Kuwait	1967	3.
Union de Banques Arabes et Francaises (UBAF)—France	1970	3.
Libyan Arab Foreign Bank—Libya	1972	2
Banque Misr—Egypt	1920	2.
Umma Bank—Libya	1968	2. (31.1
Wahda Bank—Libya	1970	2 (31.1
Commercial Bank of Kuwait—Kuwait	1961	2.
Credit Populaire d'Algérie—Algeria	1963	2,
Banque du Caire—Egypt	1952	2.
National Commercial Bank—Libya	1970	2
Banque Arabe et Internationale d'Investissment (BAII)—France	1973	1.
Saudi International Bank—UK	1975	1
Bank of Alexandria—Egypt	1957	1 (unr solid.
Al Bank Al Saudi Al Fransi—Saudi Arabia	1977	1
Société Tunisienne de Banque—Tunisia	1958	1,
Bank of Kuwait & the Middle East—Kuwait	1971	1.
European Arab Bank Group—Luxembourg	1972	1
Arab Banking Corporation—Bahrain	1980	1. (31.1
Gulf International Bank—Bahrain	1975	1,4
Qatar National Bank—Qatar	1965	1,4
Saudi British Bank—Saudi Arabia	1978	1 3
Burgan Bank—Kuwait	1975	1.2
Crédit du Maroc—Morocco	1963	1.2 (31.12
Al Bank Al Saudi Al Hollandi—Saudi Arabia	1977	1.2
Banque Intercontinentale Arabe—France	1975	1,1
Arab International Bank—Egypt	1971	1.1
Banque Nationale de Tunisie—Tunisia	1959	1.1
UBAF Bank—UK	1972	1 1
First Arabian Corporation—Luxembourg	1973	1.1
Arab National Bank—Saudi Arabia	1979	1 0 (30.6
Union Méditerranéenne de Banques—France	1975	1.0 (unc solida
Bank of Oman—Dubai, UAE	1967	1 0
United Bank of Kuwait—Kuwait	1966	9
Arab Latin American Bank (Arlabank)—Peru	1977	9
National Bank of Dubai—Dubai, UAE	1963	9
Bank of Bahrain & Kuwait—Bahrain	1971	9
Bank Al-Jazira—Saudi Arabia	1975	9
Saudi Cairo Bank—Saudi Arabia	1979	9 (30 10

UAE: restricted licence banks'* foreign assets and foreign liabilities

Period ending	Foreign assets ($m)	Foreign liabilities ($m)
First quarter 1979	244	342.9
Second quarter 1979	278.8	344
Third quarter 1979	308.7	411.1
Fourth quarter 1979	312	374.7
First quarter 1980	321.1	414.9
April 1980	329.5	465.3
May 1980	326.7	447.1
June 1980	376 9	494.1

*Restricted licence banks—first authorized in 1976—are permitted to accept local currency deposits from non-residents but otherwise operate as commercial banks.

Domestic commercial bank deposits

	Demand deposits	Time deposits	Date
Algeria (dinàrs m)	26.412	9,084	May 1980
Bahrain (dinàrs m)	129.68	239.10	Sept 1980
Egypt (£E m)	1.872.9	3.176.9	July 1980
Iraq (dinàrs m)	187.5	342.3	June 1977
Jordan (dinàrs m)	214.28	348.53	Aug 1980
Kuwait (dinàrs m)	1.950.7	974.4	Aug 1980
Lebanon (£Leb m)	3.152	15.182	Dec 1979
Libya (dinàrs m)	708.2	618*	Dec 1979
Morocco (dirhams m)	12,698	4.239	Aug 1980
Oman (riàls m)	64.2	165.3	July 1980
Qatar (riàls m)	2.088.8	2.530.9	June 1980
Saudi Arabia (riàls m)	33.64 (plus 2.8 foreign currency deposits)	12.24*	July 1980
Sudan (£Sud m)	482.57	159.13	Aug 1980
Syria (£Syr m)	5.552	1.765	Dec 1979
Tunisia (dinàrs m)	490.73	460.36**	Aug 1980
UAE (dirhams m)	4 780	12.863	June 1980
Yemen, North (riàls m)	680.6	1.510.7	Aug 1980
Yemen, South (dinàrs m)	53.05	38.99	June 1980

* Quasi monetary deposits

** Quasi monetary liabilities

Foreign exchange assets

	International liquidity foreign exchange ($m)	Central monetary authorities—foreign assets*	Central monetary authorities—foreign liabilities*	Commercial banks—foreign assets*
Algeria	3.437 (Oct 1980)	14.172 (May 1980)	339 (May 1980)	3.930 (May 1980)
Bahrain	904.6 (Oct 1980)	317.25 (Oct 1980)	10.40 (Oct 1980)	324 2 (Sept 1980)
Egypt	1.083 (Aug 1980)	1.211.3 (July 1980)	3.953.2 (July 1980)	2 360 1 (July 1980)
Iraq	6,744 7 (Dec 1977)	1,674 7 (Sept 1977)	na	127.4 (Sept 1977)
Jordan	1.270.5 (Oct 1980)	376.86 (Aug 1980)	na	122.30 (Aug 1980)
Kuwait	3.066 6 (Oct 1980)	913.4 (Sept 1980)	na	1.772 3 (Aug 1980)
Lebanon	1.776.8 (Sept 1980)	6.252 (Dec 1979)	na	9 379 (Dec 1979)
Libya	10.914 (July 1980)	2.307.9 (Dec 1979)	2.4 (Dec 1979)	128.1 (Dec 1979)
Morocco	294 (Sept 1980)	761 (Aug 1980)	1.058 (Aug 1980)	953 (Aug 1980)
Oman	793.3 (Sept 1980)	310 3 (July 1980)	4.4 (July 1980)	100.5 (July 1980)
Qatar	318.4 (June 1980)	18.4 (March 1980)	na	2.471.5 (June 1980)
Saudi Arabia	21.943 (Oct 1980) 25.072—SAMA other assets (Mar 1977)	225.580 (April 1980)	na	24 080 (July 1980)
Sudan	25.7 (Oct 1980)	24.39 (Sept 1980)	411.05 (Sept 1980)	136.11 (Aug 1980)
Syria	362 (May 1980)	1.716 (May 1980)	1.769 (May 1980)	737 (Dec 1979)
Tunisia	641 2 (Oct 1980)	248 43 (Aug 1980)	0 90 (Aug 1980)	52 37 (Aug 1980)
UAE	1.962 6 (Oct 1980)	5.772 (June 1980)	444 (June 1980)	12.302 (June 1980)
Yemen, North	1,319 4 (Oct 1980)	6 411 7 (Aug 1980)	8 5 (Aug 1980)	702.2 (Aug 1980)
Yemen, South	233 67 (Sept 1980)	83.29 (Aug 1980)	20.12 (Aug 1980)	53 07 (June 1980)

*Expressed in local currencies

compiled by Anna Krajewska, *Middle East Economic Digest*

مصورة من الأصل

Michael Prest examines the impact of Islamic principles and Rodney Wilson traces the history of time-honoured traditions

Resurgence of old ideas about handling cash

"O ye who believe! Observe your duty to Allah, and give up what remaineth from usury, if ye are believers. And if ye do not, then be warned of war from Allah and his messenger."

Despite the severity of this admonishment, it is not to be found in the Koran. The passage comes from the founding document of the Kuwait Finance House, one of the most successful of the new Islamic banks. It vividly summarizes how the revival of Islamic fortunes around the world has been accompanied by a resurgence of old ideas about the handling of money.

What the Prophet meant in the holy book's celebrated verses forbidding the practice of *riba* is the subject of intense theological debate. There are some who hold that only excessive taking and giving of interest are forbidden. Professor Maxime Rodinson, the French Islamic scholar, suggests that *riba* may have been a specific practice, known to be widespread, by which failure to pay a debt could lead to the immediate doubling of the principal.

Whatever the truth, there is no doubt that from the time of the first Muslim communities, charging interest was against Sharia law, just as usury was condemned for a long time by the Christian church, although perhaps with less force. The practice has naturally been different, and plenty of devout Muslims believe today that charging and receiving interest will not send them to hell.

It is nevertheless remarkable how fast the rebirth of Islamic financial principles has been. Since the foundation of the Islamic Development Bank in 1974, 19 such banks or institutions have been started in the Arab world, of which 15 are firmly in business. Others exist in Pakistan, Iran and Nigeria, and more are planned. London, Geneva, and other bastions of orthodox finance will soon play host to Islamic banks. Luxembourg is to receive a holding company, Islamic Banking System International Holding.

The first efforts in modern times to put Islamic financial principles into practice were made unsuccessfully, in Pakistan about 25 years ago. Other equally unsuccessful attempts followed in Egypt. Ironically it was the wealth generated by the usurious industrial countries' demand for oil that made Sharia banking possible.

Central to those values, and reinforcing Sharia notions of interest, is the Muslim belief that man is charged by Allah with looking after the earth; nobody should profit from work he has not performed. Millions of Muslims hold that the payment and receipt of interest destroys the essential bond between man and Allah and between man and man.

In some parts of the Arab world religious judges have continued to uphold pleas against payment of usury. This week in the United Arab Emirates, Mr Muhammad bin-Khalifah al-Maktoum, a relative of the Ruler of Dubai, is suing a syndicate of local and international banks claiming he should not be required to pay the agreed interest on a $16m loan.

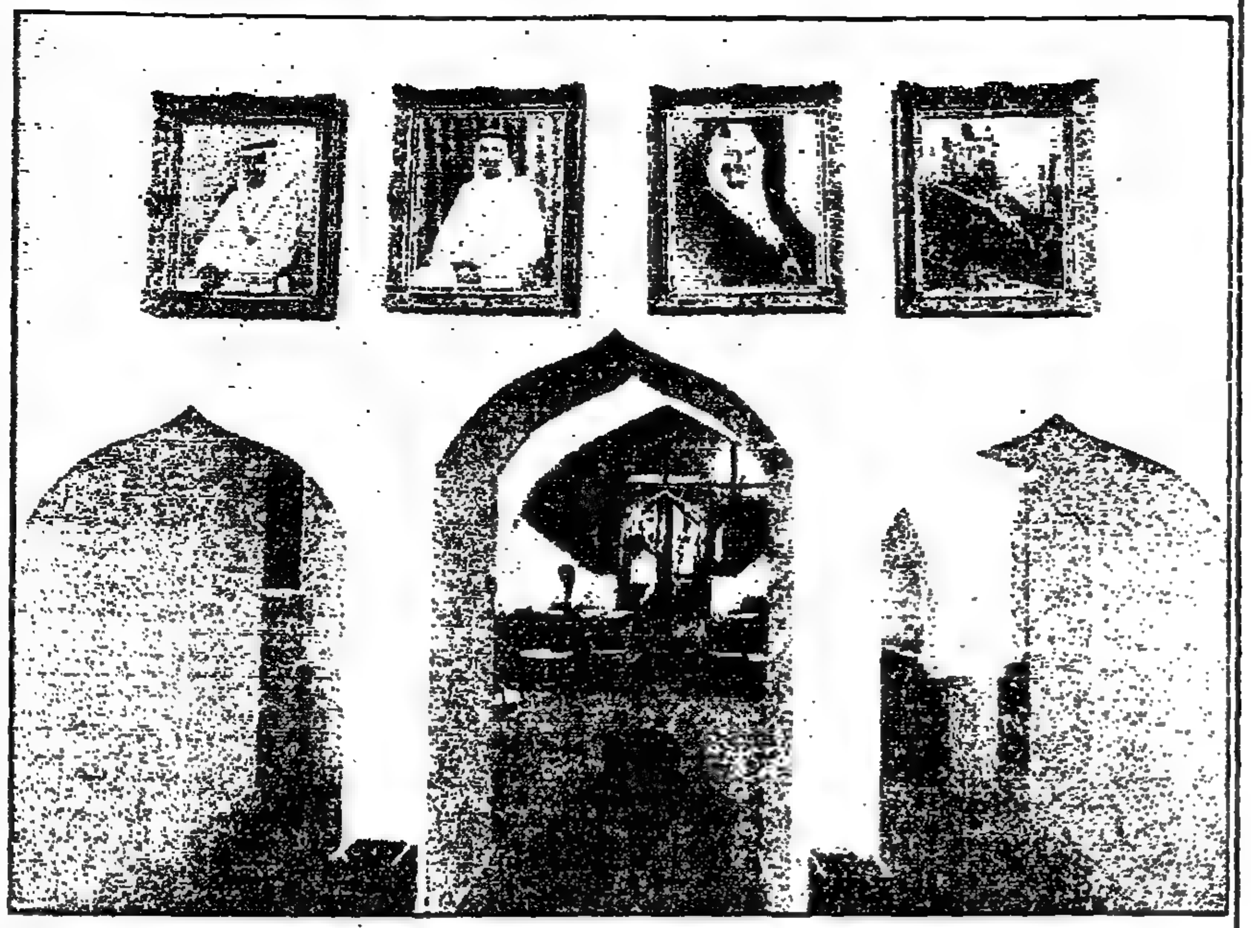
As they saw their riches increase in the early 1970s, a large number of Arab Muslims became unhappy about using conventional financial institutions. Many had previously solved the problem by not using a bank: if you are poor and have little cash there is no need for banks. By the middle of the last decade, however, businessmen and other citizens found that they could not store all their cash under the bed.

Ordinary business pressure, and the closer integration of the region into world trade also pushed Muslims into a dilemma: whether to use Western banks or to lose business and perhaps be guilty of not showing proper stewardship of the earth. It is significant that members of the Saudi royal family, the richest and most conservative in the area, took the lead in establishing new *Halal* institutions (those acceptable under *Sharia* law).

The Islamic Development Bank is based in Jiddah, Saudi Arabia's commercial capital, and the Saudi Arabian Government is the biggest single shareholder, with 26 per cent of the equity. There are 39 shareholders, among which the Governments of Libya, Kuwait and the United Arab Emirates are also important.

An interesting aspect of this first big Islamic financial institution, whose authorized capital is 2,000m Islamic dinars, is that it was conceived as an aid institution, to assist the economic development of Muslim countries. This it does by taking a stake in development projects and earning, not interest, but equity profits on the countries' success. By the same token, it shares in losses.

Here we are at the heart of the difference between Sharia banks and others. In the former's view, they put money actively to work in trade, industry or agriculture and take the risk. Depositors at the bank get a share of the profits earned from such investment under a system known as *mudaraba*. The bank's profit is called *murabahah* (literally profit-making).



The offices of the Saudi Investment Banking Corporation in Jiddah.

Perhaps the most up-to-date of these banks is the Kuwait Finance House, founded in 1977. Its popularity is such that deposits have grown to almost $500m and two branches have been opened. It has moved into operations which the relatively simple approach of the Islamic Development Bank might suggest are incompatible with the technicalities of Islamic banking.

It finances trade, for example, by opening a letter of credit for the supplier of goods when an invoice is presented by the Kuwaiti importer. Once the shipment is made, the bank "sells" the goods to the importer at a predetermined profit, within an agreed payment period.

The Kuwaiti Finance House also conducts foreign exchange operations, although only in the spot market, and will finance domestic business such as real estate transactions on behalf of clients. This process, called *mutajarah*, works like external trade: the bank effectively concludes two agreements, one to buy the land on its own behalf and the other to sell it to the customer, at a profit. The chief risk comes in payment delays and debts cannot be accumulated (as in an overdraft) or rolled over easily.

But these drawbacks have not prevented Islamic banking from spreading. The Islamic Banks International Association, whose president is Prince Mohammad, second son of the late King Faisal of Saudi Arabia, has encouraged banks in Abu Dhabi, Bahrain, Dubai, Egypt, Jordan, Qatar and in non-Arab parts of the Muslim world.

Prince Mohammad has also been the driving force behind the Islamic Investment Company, which is intended as a kind of mutual fund, incorporated in the Bahamas. Separate companies such as the Islamic Exchange and Investment Corporation, based in Qatar, specialize in foreign exchange dealing. It is a long way from Allah's strictures, as enunciated by the Prophet.

Wider range of services than in West

To some extent all banks have characteristics that reflect their countries of origin. Sometimes they may seek to build these images as a marketing ploy, but often they take a genuine pride in their nationality. Whatever the reason for emphasizing national characteristics, there is no doubt that the international banking scene would be much less colourful in the absence of such a variety of images. Thus United States banks are seen as aggressive in seeking business, mirroring the competitive nature of American society.

German banks emphasize their dependability, putting less emphasis on the immediate and more on the long-term involvement they have with their clients. Japanese banks like to show their technical competence, while British banks emphasize their honesty and consistency, and the gentlemanly relations which they share with their customers.

What description, however, would be most apt in the case of Arab banks? These banks are the latest entrants to the international banking community, but to depict them as struggling infants would be a misrepresentation, as the Arab countries, unlike many other parts of the Third World, have a banking tradition that goes back even further than that of most of Europe.

Several centres in the Arab world have long been noted for the financial and commercial skills of their local inhabitants, notably Beirut and some of the emirates of The Gulf, especially Bahrain and Dubai. As early as the middle of the last century Beirut was the most important financial centre in the Ottoman Empire after its capital, Constantinople, and although some of the finance of trade and commerce was handled by the largely Anglo-French-owned Ottoman Bank, most of the thriving local business was carried out by Lebanese moneychanging families, many of whom remain active today.

Beirut's moneychanging activities can be traced back even farther, however, to the time of the Phoenicians while those in the emirates date from the period when dhows from The Gulf traded throughout the Indian Ocean from Zanzibar to China, arranging, for example, the necessary credit to ensure the smooth exchange of Zanzibar cloves and spices for Chinese silk and much else besides.

In order to understand the uniqueness of Arab banks today, it is necessary to go back into their moneychanging past, as it is there that roots of their distinctiveness lie. This distinctiveness manifests itself in two main ways, first through the organizational forms of the institutions themselves, and second through their methods of conducting banking business. The traditional moneychangers were always organized as family businesses, both in terms of ownership and employment.

Outside capital was rarely brought in, nor were employees from other families, although in the context of Arab society, even second cousins could count as family members. Many of the leading Arab banks, such as the National Commercial Bank of Jiddah, or the Arab Bank itself, remain family-owned institutions, in these cases in the hands of the Mahfouz and Shoman families respectively. In both these instances, despite the necessity of recruiting outside staff for even fairly senior managerial positions as a result of the enormous expansion of operations, family members retain the top management positions.

Although the vast majority of the employees of the major Arab commercial banks are no longer blood relatives of the founders, there remains a much greater sense of institutional loyalty than is common in Western banks, almost as if the employees belonged to an extended family. Managers are not avid readers of the job vacancy columns of the financial press in order to find employment with rival institutions for marginal salary increases, as is the case with many American bankers. The employee feels that if he supports the bank, then it will in turn support him through whatever the future holds.

Dismissal is rare, and even serious incompetence or impropriety is usually dealt with in a fatherly fashion by senior officials of the bank concerned, without the employees involved having to leave. The greater security, and life-long institutional attachment nevertheless does not imply that employees have a quiet life, but it has the advantage of ensuring that all their energies go into their current job, rather than devoting time and effort to searching around for alternatives.

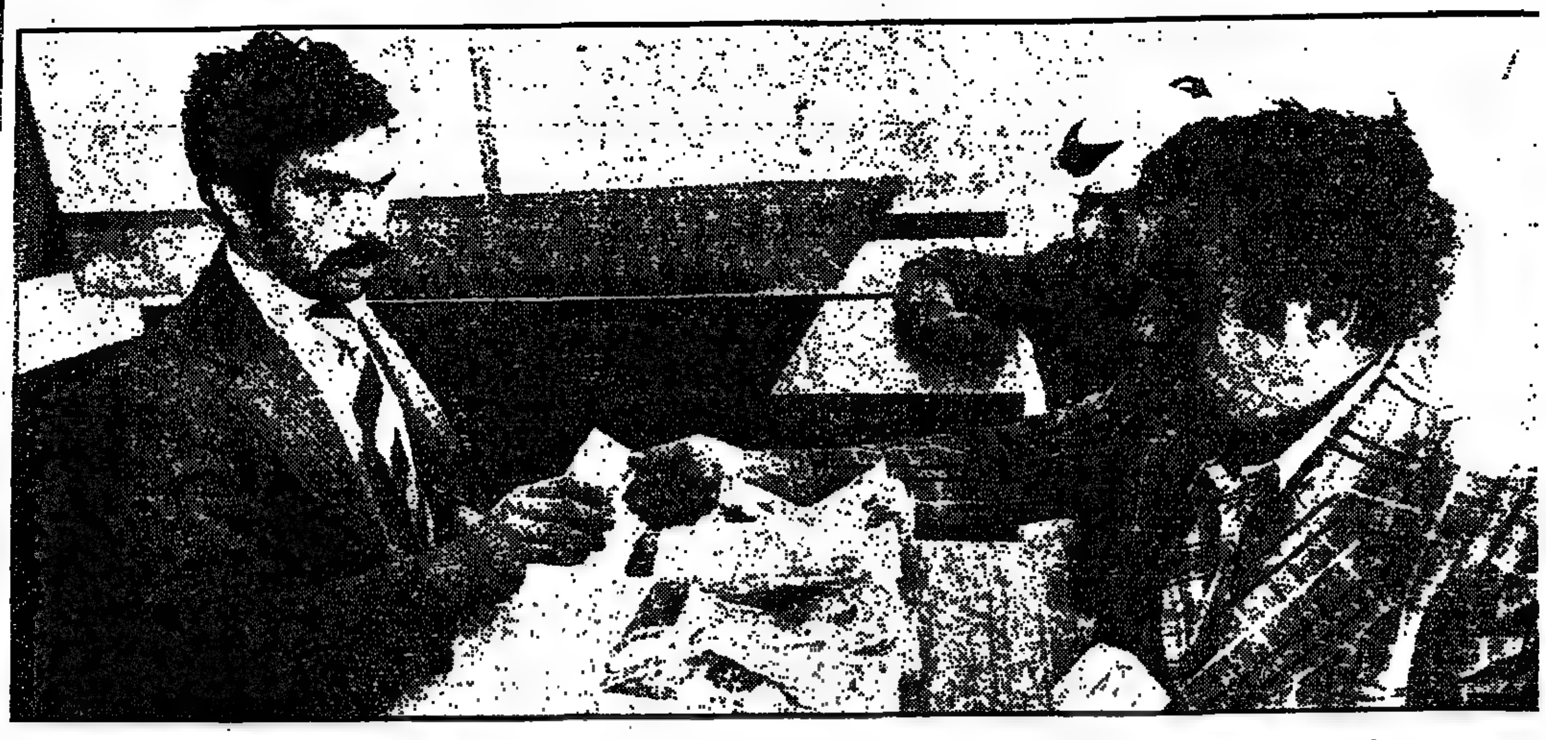
A similar sense of loyalty permeates the relationship between Arab banks and their customers, as clients rarely shop around different institutions in the way that is becoming increasingly prevalent in the West. The provision of banking services is almost regarded as a kind of exchange in favours. Thus the depositor will be willing to forgo some interest earnings that perhaps could be gained by going to a rival institution, because he realizes that the bank will appreciate such loyalty by giving him credit preference, also at lower rates than those changed elsewhere.

Where both banker and customers are Muslims, this will reinforce their preference for avoiding any practice that seems like usury. The overall effect of this is to downgrade the role of interest as a pricing mechanism in determining the channelling of custom as conventional Western economic theory suggests, and instead to substitute social criteria for finance allocation.

Arab banks are willing to provide a much wider range of non-financial services outside the usually accepted realm of bank activity than is the case with Western banks. Some of the Arab banks in London, for example, will book hotel accommodation, arrange flights, organize medical appointments and often hospital treatment on behalf of clients from the Arab world. Those in important positions are treated with the respect they expect, while there is a tolerance for the older customer rarely found in Western financial institutions.

Bahrain

Offshore banking units looking forward to profitable year



Business in progress at t National Bank of Bahra Manamah.

After a period of uncertainty, Bahrain's offshore banking units (OBUs) are looking forward to a profitable year. Evidence that the sector has managed to weather the disruption caused by the Iranian revolution and the continuing war between Iran and Iraq, coupled with the announcement that Saudi Arabia's massive third development plan is going ahead, is producing a surge of quiet optimism.

But many bankers are still keeping a close eye on events in the region. While they may not be as threatening as they are sometimes perceived in the West, they emphasize the importance of flexibility, skills and diligence on the part of OBU managers.

The offshore banking sector, which was established in October, 1975 as part of a government move to diversify the economy away from the heavy dependence on oil production and refining, witnessed remarkable growth in the late 1970s. At the end of 1976, the first full year of operations, OBU assets totalled $6,200m; a year later they had more than doubled, to $15,700m. By the end of 1978, they were worth $23,400m, a figure which meant that the Bahraini sector had almost achieved the same amount of business as its main rival in Singapore. Assets continued to climb, and by the end of September, 1980, they were worth a record $33,600m, compared with just under $27,800m at the end of 1979.

Altogether more than 64 banks are represented, from almost every part of the globe. Licences are issued by the Bahrain Monetary Agency (BMA), which insists on certain requirements such as the reporting of assets and liabilites to its board and assurances that the local unit has adequately qualified staff. OBUs are also prohibited from accepting deposits from resident Bahrainis, a measure the BMA has adopted to protect the local banks.

However, aside from these restrictions, the OBUs enjoy considerable privileges. They are exempt from corporate and personal taxes, do not have to maintain mandatory reserves, and operate free of any statutory liquidity ratios. In addition the islands' excellent communications, progressive social attitudes (by Gulf standards), trained work force and location midway between Singapore and Europe, not to mention the surrounding oil wealth, give Bahrain advantages that few countries in the developing world can match.

However, the very attractiveness of Bahrain as an offshore centre is posing new problems for the established banks as the sector reaches maturity. Although they welcomed news in July, 1979, that the BMA had imposed a moratorium on the granting of new licences, it soon developed that the BMA acted less to stem the rapid influx of new banks than to ensure a wider geographical spread of institutions.

Shortly after the ban was lifted a few months later, new licences were granted to several Asian institutions, from Philippines, Malaysia, Hongkong and Japan. Arab banks were also encouraged to apply for licences and several have now opened OBUs in Bahrain. They include Al Bahrain Arab African Bank, the Bank of Bahrain and Kuwait, the Arab Solidarity Bank, the United Gulf Bank and the Dubai-based United Bank of Oman.

While the lifting of the ban was encouraging to those banks hoping to get a foothold in the sector, the older institutions were concerned that the entry of more than a dozen new banks would increase competition to the point that profit margins would be wiped out. By mid-1980 it was clear that their fears were not without foundation: the combined net spreads of the OBUs—the difference between what they earn on their assets and what they have to pay on liabilities—had fallen below 1 per cent, and were continuing to decline.

More worrying to the Western banks, and to the smaller Arab and Asian institutions as well, has been the arrival of two new Arab-owned "multinationals", the Arab Banking Corporation (ABC) and the Gulf International Bank (GIB). The former was established by emiri decree in January 1980 with an authorized capital of no less than $1,000m of which $750m was paid up.

Although ABC did not begin operations officially until June, Mr Abdullah Saudi, the chief executive, reported that assets had risen to just under $2,000m by the end of the year. Total deposits reached $1,500m, while the loan portfolio stood at $295m. In addition, the bank had participated, as lead manager, in syndicated loans worth more than $2,000m, including the $500m credit raised for the Italian state oil company, ENI, and another worth $300m for the Government of Bahrain.

GIB, which has been operating as an offshore u for fewer than five years, equally aggressive. With few years ahead of ABC, recorded participation medium-term lending la year worth an impressi $10,000m. Equally importa was the rise in the bank average returns: 0.71 p cent on assets during t first nine months of 19 compared to 0.60 per cent 1979.

Although some Weste bankers claim that the fa that both banks are Ara owned—ABC by the gover ments of Libya, Kuwait ar Abu Dhabi, and GIB by s seven Gulf countries—giv them an edge in the batt to recycle the vast Arab c surpluses, both Mr Saudi ar the GIB chairman, Mr Abdu lah Saif, who also serves a director-general of the BM attribute their success their lack of having to e gage in demarcation disput with parent companies an to their willingness to see business wherever it found.

Apart from the entry c such tough new competitio the established OBUs ar also experiencing some u expected problems in dealin with the regional currencie —Saudi and Qatari rials Kuwaiti and Bahraini dinars and UAE dirhams—that make up about a quarter of their total assets.

Despite this, the prospect of participating in the hug new development project planned during the next fe years, as well as in the re cycling of Arab oil wealth is enough to attract st more OBUs to Bahrain. Wit the Saudi development pla alone worth $245,000m fo 1980-85, and with the com bined Opec surplus set t reach $180,000m this yea most banks can expect ir creased business at min mum, and, if all goes wel significant profits as well.

Pamela Ann Smith

Kuwait

Rich—yet short of money

Kuwait presents two faces to the financial world. In international markets it probably has the most advanced services of all the oil-rich Opec countries. Long experience of investing oil revenues has enabled the country to build skills and institutions which are the envy of the rest of the world.

At home, the country's financial markets are much less advanced. The pursuit of targets for the exchange rate, interest rates and free movement of capital have, on occasion, combined to produce a paradox.

Kuwait, the richest country in the world, often finds itself short of money, not in the sense of finding it hard to pay its way. The massive surpluses each year on its balance of payments have produced total holdings of foreign currency of $50,000m.

The problem is of quite another kind. It is that by holding down interest rates, the Government has produced a flood of money out of the country into other markets where interest rates are higher.

Because the Government pursues a stable exchange rate policy, anyone moving his money out of Kuwaiti dinars into, for example, dollars, knows that he is not taking any great risk of losing on a parity change. Since the Central Bank of Kuwait intervenes to hold down interest rates, with an effective ceiling of about 10 per cent, it is possible to borrow money in Kuwait at 10 per cent, lend it in dollars at about 20 per cent and pocket the difference.

The anomaly of this situation illustrates a deeper issue. Kuwait has never come to terms with whether it really wants to be an important banking centre or not. Banks in the country operate under some fairly severe restrictions. They have to be locally owned (though one, the Bank of Bahrain and Kuwait is only 50 per cent locally owned) and they are mostly in private hands. The Bank of Kuwait and the Middle East has a government stake.

The oddities of the Kuwait money market have not prevented these banks from reaching enormous size. The biggest, like the National Bank and the Gulf Bank, are among the largest in the Arab world. But their functions are heavily biased towards trade credit, something of a boom area in the mid-1970s because of the country's rapid economic growth.

The long-term growth of the banking sector, however, is likely to lie in another direction, the provision of capital to the international markets. Kuwait's assets are channelled through a number of investment institutions. There are three investment companies, the Kuwait Investment Company, the Kuwait International Investment Company and the Kuwait Foreign Trading, Contracting and Investment Company.

These three companies were particularly active in the initiatives which led to the setting up of a market in bonds denominated in Kuwaiti dinars in the mid-1970s, the country's most ambitious effort yet to break into the big league as a financial market in its own right rather than as a supplier of funds to markets elsewhere.

The KD market, as it is known, had good and bad points. The good point was that many of the world's top names in the list of borrowers used the market's facility, starting with the city of Oslo in 1978.

The bad news was that the reason they did so was that they were in effect being given subsidies, since Kuwait interest rates were held down. On that basis, there was no shortage of borrowers but rather few lenders from outside Kuwait.

One estimate made at the time that the Government decided to declare a moratorium on further borrowings in late 1979 was that 80 per cent of all such bonds were held in Kuwaiti hands. The Government stopped the issuing of new bonds in order to cut the drain on the country's liquidity which they represented. At the same time the Government introduced a package of other measures designed to keep up the liquidity level in the country.

A market in secondary bonds was allowed however, with the Arab Corporation for Trading Securities playing a leading part. As part of this change, a market in certificates of deposit has also begun to develop.

It is, however, as a source of investment funds that Kuwait has the real financial muscle it needs to become a financial services sector.. These funds are channelled through public and private agencies. The Government uses foreign banks in some countries and the Kuwait Investment Office in London to handle its own funds. Private investment is handled by such companies as Gulf International and the Kuwait Real Estate Investment Corporation.

Property has long been a favourite investment medium for the Kuwaitis and this is shown on their own stock exchange. This market can generate large transactions, but the number of people involved and the breadth of shares are small. Only Kuwait nationals are allowed to buy shares on the stock exchange. Because some of the individuals involved are very rich, they can generate colossal turnover, with real estate, banks and insurance companies coming top of the list.

But there is little incentive for the leading companies to seek a stock exchange quote and the market has its oddities, as was shown in 1976 when the Government spent $360m on shares to stop prices falling too far. The stock exchange is a pretty speculative venture, rather than a source of capital for industry, but the odds for the players are better than in most gambles.

David Blake

Saudi Arabia

Fears that inflation may soar once again

During the past two years the Saudi Arabian Monetary Agency (SAMA) has been remarkably successful in bringing the money supply under control. The rate of increase is starting to rise again, however, with bank advances alone rising by more than 3 per cent a month in the second half of 1980, half as much again as the average monthly increase during 1979.

Inflation remains within single figures, but there are worries that it may soar once more as spending under the third five-year plan, covering the period up to 1985, gets under way. It is going to be difficult for an economy with a workforce of fewer than two million to absorb development expenditure of more than $235,000m in just five years without serious inflationary consequences.

SAMA's task in helping to steer the Saudi Arabian economy is made more difficult by the lack of conventional means of monetary control, yet it is still expected to exercise strong authority as the kingdom's central bank. One critical problem is its ability to use interest rates as a means of curtailing credit expansion, as interest is officially prohibited under Saudi Arabia's Islamic law.

The banks levy service charges in lieu of interest, set at about 8 to 10 per cent during the past year, but SAMA, as the representative of Islam's holiest government, has to set an example itself by complying with the spirit as well as the letter of the law. Therefore, although a proxy for interest exists, SAMA never indicates what service charges the banks should levy, or puts pressure on the banks to change their rates to achieve monetary policy objectives. Concepts such as a variable minimum-lending rate are alien to Saudi Arabia.

The negligible rewards for deposits in Saudi Arabia, where most funds are left in current accounts which earn no interest, has prompted many local citizens with surplus savings to open deposits outside the country, especially in Bahrain, where interest can be earned in line with international rates. As there are no foreign exchange controls there is little action SAMA can take to curb this exodus of funds. In addition, some unscrupulous borrowers from the two most important domestic lenders, the National Commercial Bank and the Riyadh Bank, have even redeposited funds in Bahrain.

The banks themselves naturally disapprove of such speculative practices, but they are unwilling to ask too many questions concerning the deployment of funds, as personal privacy in all financial affairs has to be respected in Saudi Arabia. Moreover, such an exodus of funds could, in curtailing the money supply, assist anti-inflation policy. The difficulty is that many of the funds deposited in Bahrain are lent back into Saudi Arabia, yet they are beyond SAMA's direct control.

It would be erroneous, nevertheless, to blame Bahrain for any shortcomings in the Saudi Arabian financial system. Even though almost half of the total supply of rials is now accounted for by Bahrain, SAMA has prudently not attempted to penalize its rather vulnerable offshore neighbour, which the Saudi Arabian Government seeks to protect for political perhaps more than economic reasons. SAMA officials argue that if the funds did not go to Bahrain they would merely find their way into other international financial markets where the Riyadh authorities have much less influence.

Nor are exchange controls an answer, as a large portion of the funds remain in so-called offshore rials, so no conversion is necessary anyway. To prevent conversion of the remaining funds into dollars and other western currencies would present SAMA with difficulties, as much of the exchange business in Saudi Arabia is carried out by money-changers such as the Al-Rajhis, who are also beyond the agency's control. Hence the only solution, and the course SAMA appears to be taking, is to cooperate closely with its counterpart, the Bahrain Monetary Agency, to ensure that mutual interests do not conflict.

Apart from interest rate variations, other standard methods of controlling the money supply include open market operations, changes in liquid asset ratios and exchange rate adjustments. The first option, open market operations, is precluded in Saudi Arabia, as there is no market in government securities, and any temporary deficits which arise are simply financed by drawing on the kingdom's vast liquid reserves rather than through domestic borrowing. This, nevertheless, has implications for the supply of rials, as deficit financing results in the conversion of dollar reserves into local currency without any sterilization of domestic funds.

The second option of changing liquid asset ratios has been taken up on several occasions. In 1979 the ratio was reduced from 15 to 12 per cent on demand deposits, and 2 per cent on the small volume of time and savings deposits. Last year it was further reduced to 7 per cent on demand deposits, although this was mainly to counter the domestic shortage of liquidity due to the flight of funds to Bahrain, and SAMA's move must essentially be seen in defensive terms.

The third option of exchange rate changes has also been tried, as in March 1980 when SAMA revalued the rial instead of devaluing, as most dealers believed would happen. This changed expectations and penalized those Saudis who had speculated in other currencies in Bahrain; and this was, without doubt, the main aim of the authorities. At the same time it may nevertheless have caused a mild monetary stimulus by increasing the value of rial balances.

Until these more complex methods of monetary control are used with greater frequency, the Saudi authorities will probably be forced to rely on the rather crude technique of simply halting certain government expenditures from time to time, usually by delaying payments to contractors. Such methods create considerable uncertainty, and are often detrimental to smooth development through spoiling project coordination. In the long run it can also raise development costs where contracts have escalation clauses, or where contractors start to build-in a higher margin to allow for irregular payments. Clearly some rethinking of financial policy is necessary in Saudi Arabia, if the lack of monetary instruments is not to have real development costs.

Rodney Wilson

United Arab Emirates

Despite competition for funds optimism returns

Banking in the United Arab Emirates faces a difficult year, but the outcome could be an increase and more profitable level of activity for both the local banks and foreign institutions. With oil revenues continuing to increase rapidly and big new investment being made in hydrocarbons, optimism is gradually returning despite the continued outflow of dirhams and the competition for funds.

The principal change this year is the establishment of a Central Bank to replace the UAE Currency Board, which has acted as the country's central bank since its foundation in 1973, two years after the UAE achieved independence. Starved of funds despite the emirates' oil wealth, and beset with political conflict, the Currency Board was never able effectively to regulate banking activity or, equally important, to control the money supply. The number of money changers and small banks, many of them simply adjuncts of the big merchant houses, grew alarmingly, precipitating a banking crisis in mid-1977.

Only after the International Monetary Fund stepped in and recommended the establishment of a central bank did the crisis recede. But lack of agreement between the country's seven rulers, who make up the emirates' Supreme Council, forestalled its establishment until last December when a board of directors headed by Shaikh Surur ibn Muhammad al Nahayan (an Abu Dhabian who also serves as Chamberlain of the President's Court) was appointed. On January 1 it formally replaced the Currency Board and it is now preparing a series of regulations which are expected to be announced within the next few months.

High on the list are measures to stop the proliferation of banks in the country, which at last count totalled 52. (The population of the emirates is only about one million, even if the hundreds of thousands of foreign workers are included.) Observers expect the Central Bank to introduce regulations concerning the amount of paid-up capital a locally incorporated bank will be required to have, and to adopt other measures aimed at encouraging the recapitalization, or even merger, of some of the smaller entities.

Already the Bank of the Arab Coast, which is based in Ras al Khaymah but whose shareholders include a number of prominent Kuwaiti merchants, has announced plans to expand its capital from a modest 5m dirhams ($1.35m) to 100m dirhams ($27m). New directors will be added to the board to replace those of Crédit Libanais and Banque Européenne pour le Moyen Orient, who have decided to withdraw. Several other banks in the emirates are said to be considering either recapitalization or extension of their shareholding.

However, the immediate task facing the Central Bank will be to stem the increasing drain of funds to more lucrative havens abroad. The outflow, which began in November soon after Mr Reagan's electoral victory in the United States, shows no sign of easing. Predictions that United States interest rates will remain high, coupled with the lessened attraction of Deutsche marks and other European currencies, are adding to the flight into dollars.

Late last year the Currency Board was forced to revalue the dirham against the dollar in an effort to reduce the yield which local investors received from their dollar deposits. Despite this, the outflow continued as American interest rates rose several percentage points above those prevailing in the UAE. Further action to reduce the size of dirham deposits subject to local interest rate ceilings from 10m dirhams to 5m dirhams, and to raise interest rates on one-year deposits from 9.5 to 10.5 per cent, failed to stem the drain.

While figures for the fourth quarter are not yet available, many bankers fear they could be worse than those of last May when demand, time and savings deposits fell from 20,615m dirhams ($5,570m) at the end of 1979 to 20,400m ($5,510m) even though the country is estimated to have accrued some 21,200m dirhams ($5,700m) in surplus revenues during the same period.

Now, with United States interest rates generally expected to remain high over the next few months, the Central Bank will face intense pressure to raise local interest rates and to revalue the dirham again. Yet by doing so the bank could incur the displeasure of some of the rulers of the smaller emirates which are known to be opposed to regulation of this kind, particularly when it comes so soon after the November round of increases.

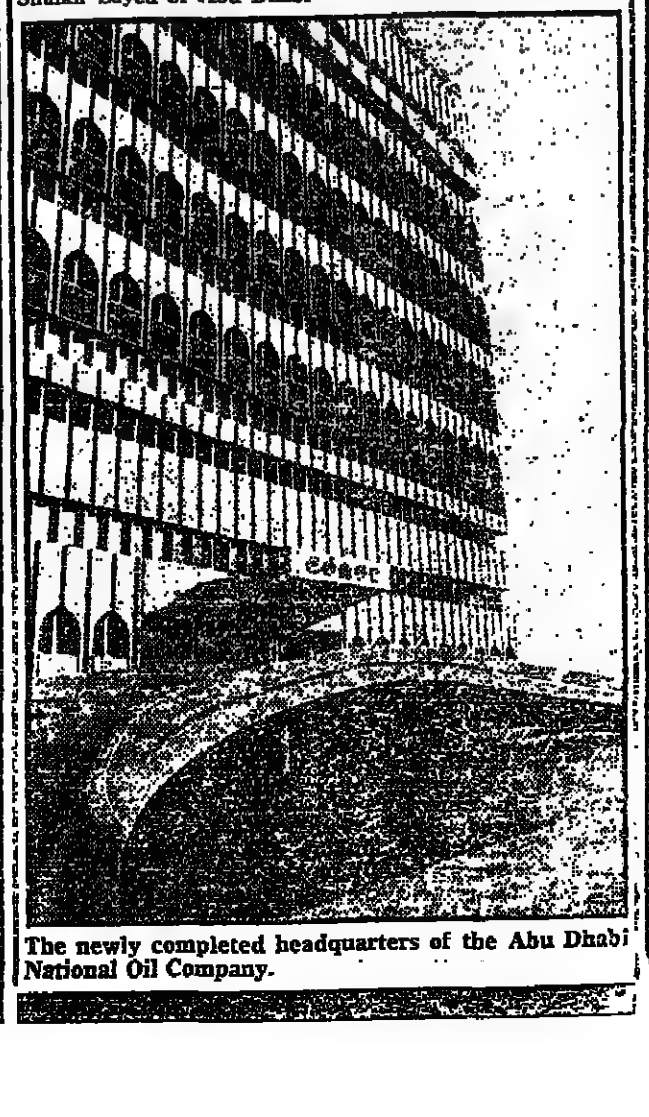
Problems faced by the other banks concern the shift in government deposits that the establishment of the Central Bank entails. As part of the agreement on its formation, the rulers of the two wealthiest emirates, Shaikh Zayed of Abu Dhabi and Shaikh Rashid of Dubai, agreed to deposit half their oil revenues in the Central Bank. While this will give the institution the financial muscle it needs to impose its new regulations, those local banks which had previously received a large share of the oil funds may find themselves looking to the private sector for business.

The National Bank of Abu Dhabi, which stands to lose part of the accounts of the Abu Dhabi National Oil Company (ADNOC), and possibly of the Abu Dhabi Investment Authority as well, is planning to expand its operations abroad, particularly in London, where it already has two branches. The National Bank of Dubai, which has effectively operated as a government bank in the emirate, is expected to increase its activity in trade finance, while the Emirates Commercial Bank, one of the top five banks in the UAE, is looking for additional business in India and among the large number of foreign workers in the country who originate from India and Pakistan.

While some Western bankers are sceptical that the larger local institutions will be able to accommodate themselves to the changes, others point out that plans by ADNOC to embark on a $10,000m development programme during the next five years and the continued increase in the country's oil revenues will provide plenty of business for all.

As Mr Ian Irving, the local manager for First National City Bank of Chicago, puts it: "The year 1981 will be a good one for Abu Dhabi. Everyone connected with the oil industry—and that means most of the town in one way or another—will benefit." Bankers in other parts of the emirates are hoping that his optimism is justified, and that it will apply to the country as a whole as well as to Abu Dhabi.

Pamela Ann Smith



The newly completed headquarters of the Abu Dhabi National Oil Company.

Oman

Financial health has improved

It is 9 pm at Sib international airport on a Friday evening, the departure hour of the commuter run to Dubai. A group of bankers are talking quietly about the improved financial health of the sultanate. Once "the sick man of the Gulf", Oman is now a good name, despite a hesitant start to development immediately after the accession of Sultan Qaboos in 1970.

The chief executive of a Dubai-based merchant bank remarks to his colleagues: "It is amazing how things have been turned round although in some parts of the country people are still living in a barter economy".

Omani currency, with its exotic almost Toy Town-sized banknotes, is now accepted throughout The Gulf by money exchangers, who used to treat it with some suspicion. In remote country areas, especially the Musandam peninsula abutting the Straits of Hormuz, the Maria Theresa thaler is still used side by side with the Omani rial. Yet in 1981 with the country launched on a big development plan, the foundations of modern banking services have already been laid.

Omani bankers are unusually shy about how this was achieved and who should take the credit for the recovery. While it is true that some of the smaller banks among the 20-strong community continue to produce disappointing figures the overall strength of the market is unquestioned and, if anything, is increasing.

First to take the credit must be the "personalities", according to the London-based merchant banks, which have the best relationship with the sultanate, stemming from Britain's long-standing ties with Oman. The Central Bank of Oman has been exceptionally well advised by Mr Michael Brown, its deputy chairman and executive vice-president, and was also well led by its late chairman, Mr Tariq Bin-Taimour, who died in London in December 1980 from cancer.

Sayyid Tariq, as he was known, was the uncle of the Sultan and Oman's first prime minister. On the board of governors of the bank and very much alive is Mr Mohammad Musa, the sultanate's under-secretary of Finance, who is regarded as having one of the best financial brains in The Gulf.

Next in line for praise has to be the market leader, National Bank of Oman, which recently produced excellent figures for 1980. Profits were the equivalent of $4.3m, described by the bank as "90 per cent up on 1979". Much of this profit could be ascribed to high interest rates in early 1980 particularly in the dollar but it also reflects National Bank's growing customer base. Mr Mohammad Shafi, its general manager, a Pakistani who came from Bank of Credit and Commerce International, says the bank's clients include companies such as Gulf Oil and Japan's C Itoh.

It is rare for a bank manager in The Gulf to list customers but Mr Shafi clearly does it with pride since he feels an important message to put across is that the Omani banking system is capable of conducting transactions that historically were done for the sultanate by the big names. National Bank of Oman has 35 operational branches including Cairo and there are long-term plans for an office in Alexandria.

It has assets totalling nearly $300m, equivalent to about 20 per cent of the sultanate's total commercial bank assets. Its chairman is Mr Haji Ali Sultan, a distinguished Omani businessman, who is president of the local chamber of commerce and industry and well known to visiting businessmen.

The banking community, apart from the seven locally incorporated banks which are all at least 51 per cent Oman owned, includes foreign banks with long standing relationships with the sultanate. British Bank of the Middle East was for a time the currency-issuing authority before the central bank was established. Britain's Grindlays and the French Banque de Paris et des Pays Bas all retain strong customer loyalty, particularly among older Omanis.

It is known that some of the older, more conservative Omanis still decline to accept interest on their deposits, but the banking habit has at least caught on. Hoarding or "the money in the box under the bed" phenomenon is still common but becoming less prevalent.

Oman has also created a number of institutions which complement the commercial banks. To the great pleasure of the International Monetary Fund, according to an informed Washington source, Oman has set up a development bank to provide loans for productive enterprises and has also opened a housing bank which acts in much the same way a British building soci... Other wealthier Gulf sta... such as Qatar, lack such stitutions.

Oman's currency po... has been a firm commitm... to the dollar—the peg ... been maintained at the s... rate since February. 1... which some observers ... sider is remarkable. Musa takes the view ... despite fluctuations in ... value of the dollar, there ... no point in "playing abo... with the exchange rate." ... Omani view is that si... oil payments are in dol... and oil is almost the o... source of income, the re... tionship should stay ... same.

Nevertheless, there h... been attempts to diver... the economy. These in th... selves will make Om... more interesting to ... international financial c... munity. Revenue fr... sales of refined copper ... will start coming in by 1... yet the management of ... project has been disturb... by what it considers to ... the negative reaction ... some banks to the achie... ment so far. Mr Jack Wa... Oman Mining and Compa... managing director, is ins... ent: "The copper ... smelter will operate at ... profit from the word go."

Ignorance about Oman ... the West is excusable. Ur... 1970 it was a country in ... dark ages ruled by a desp... In only 11 years this h... changed. Under the new fi... year plan launched on Ja... ary 1 1981, the spending ... $21,347m is envisaged fr... oil revenue—an amou... equal to about a third ... what Britain gets from t... North Sea.

Oman is no longer a Wor... Bank case study, unless ... success is analysed, nor is ... in need any more for advi... on demand management ... the IMF. But the continui... financial health of Om... will depend upon its abili... to keep control of its ow... political destiny. In rece... talks about a Gulf securi... pact, Oman has taken a le... and appears to have a bett... rapport with its oil-ri... neighbours—the UAE a... Saudi Arabia. To banke... concerned with the sultana... that can only be good new...

John Whela...
deputy edito...
Middle East Econom...
Dige...

North Yemen

Hoarded money needed for investment

Agriculture is vital to the economy and employs more than half the Yemeni labour force.

In February, 1980, a number of changes were made in the Yemen Arab Republic's banking system. They were prompted after the International Monetary Fund had been called in to review a $90m balance of payments deficit for the first six months of fiscal 1979-80.

The maximum interest rate on commercial bank loans was raised to 13.5 per cent and, in April, to 15.5 per cent. Deposit rates were also raised from between 6 per cent and 8 per cent to between 8.5 and 11.5 per cent, and later to between 10.5 and 13.5 per cent. The rates for long-term loans from specialized credit banks were raised from between 6 per cent and 7 per cent, to between 9.5 and 10.5 per cent, and later to between 11.5 and 12.5 per cent.

The year 1979 had proved to be a bad one financially. Deposits in current accounts fell from $767m in mid-1978, to $747m in mid-1979. A trend towards investing abroad was accentuated by the war with South Yemen in early 1979. This in turn boosted defence spending, and that resulted in an 87 per cent rise in total government outlay for 1978-79.

Capital spending too was running well ahead of estimates. Furthermore, the flow of remittances from nationals abroad was showing signs of stagnation, because of a levelling off in the number of workers going abroad and a slowing down in the rate of their wage increases.

Remittances constitute the country's main source of income. In 1979, about 1,500,000 people — 21 per cent of a population estimated at seven million—were working abroad, mainly in Saudi Arabia and other Gulf countries. Remittances for that year were valued at $1,400m. The Yemeni worker, having first exchanged his wages for Yemeni rials, repatriates the money to his family or relatives. Most of the money is never banked, and the cash income has resulted in a consumer-oriented society.

An International Labour Organization report, published in mid-1980, warned of the economic pitfalls that migrant labour can cause. Too often remittances are channelled into buying imported consumer goods rather than into productive investment. The Yemeni banks are now trying to attract traditionally hoarded cash into private investment, at the same time establishing a base of rials strong enough to assist its local financing programme.

The banks must now open more local branches able to offer a competitive service in relation to the money-changer and to take advantage of the hoarded remittances. In 1979 the Yemen Bank for Reconstruction and Development increased its total number of branches to 21, opening eight new ones in outlying towns such as Sadah, Mocha, Amran, Bayt el-Faqih and Baijil.

The International Bank of Yemen, which opened on January 5, 1980, has been established with the specific aim of developing a branch network. Yemenis from rural areas are being trained to operate branches near their own homes.

Lending to the agricultural and industrial concerns will be an important part of banking operations. Agriculture is vital to the country's economy; it contributes more than one third of gross domestic product, and employs more than half the labour force. The Agricultural Credit Bank was set up in 1975 to provide inexpensive credit for agricultural needs such as seeds and mechanical equipment. Part of a $17m International Development Association loan towards the second stage of the southern uplands rural development scheme will enable the bank to extend its local operations in the region.

The Industrial Bank of Yemen, set up in 1976, approved loans of about 25m rials for 30 projects in 1978-79, the bank's first full year of lending operations. Most of these projects were by building material concerns. The sum of 65m rials has been estimated for development projects in 1980-81.

Loans and guarantees amounting to 46m rials were made by the Yemen Bank for Reconstruction and Development in 1979, an increase of 10m rials on the previous year's figure.

In 1977 the Housing Credit Bank was set up and is now seeking foreign aid in trying to overcome the acute shortage of housing for low-income groups. The channelling of foreign aid will become increasingly important as the second five-year plan (1982-86) draws close. Mr Hasan Maki, Deputy Premier for Financial and Economic Affairs, has said: "We need between $10,000m and $20,000m in the next 10 years to complete our basic infrastructure and to enable us to become self-sufficient."

As well as overseas aid, the participation of foreign banks is sought. The Industrial Bank is making intense efforts to gain the confidence of international banks, particularly for cofinancing projects needing capital beyond its own financial resources.

The Government hopes that foreign banks will play a bigger role in financing development projects covered by the second plan, both in the private and public sectors. Mr Mohammad Hizam al-Shohati, the Economy Minister, has said that Yemen will cooperate in the activities of all foreign banks in the country. Interest has recently been shown by Australian, British, United States and Japanese banks, whose officials visited the country in February to discuss new projects with the Central Bank.

Foreign banks with branches already in the country include Citibank, British Bank of the Middle East, Arab Bank, Bank of Credit and Commerce International; Banque de l'Indochine et de Suez, Habib Bank, National Bank of Abu Dhabi and United Bank of Pakistan.

Kuwait, one of the largest investors in the country, is represented by the Yemen Kuwait Bank for Trade and Investment, set up in Sanaa in 1978. Investment in real estate and development projects—especially hotels and luxury housing—is handled by the Yemeni Kuwaiti Real Estate Development Company, established in 1977.

Agreement was reached in December to set up a branch of Iraq's Rafidain Bank in Sanaa. This would help coordinate the activities of the Iraqi projects office—now overseeing the construction of schools, roads and hospitals—and supervise the disbursement of a $300m Iraqi loan agreed in 1979.

IMF figures for the period between March and August, 1980, show an increase in commercial bank deposits from 2,015m rials to 2,191m rials, against a background of growth in the money supply from 8,492m rials to 9,181m rials. Yemeni bankers will hope that the attempts made to expand the banking sector will succeed in providing the necessary base from which to achieve long-term objectives.

Jonathan Crusoe
Middle East Economic Digest

Lebanon

Economy resilient despite trade deficit

Beirut's obituary as a financial centre has been written many times and in different languages. Japan's Bank of Tokyo, for example, says of its departure simply that "Operations are at present conducted from Manamah, Bahrain". The story is similar, although the direction of the retreat from Beirut different, from banks as varied as West Germany's Commerzbank and Morocco's Banque Marocaine du Commerce Exterieur. Those who take pride in recalling that they have stayed faithful to Beirut despite the ravages of civil war and the subsequent de facto partition of the country are almost all running reduced operations.

If tombstones—the way banks announce their deals to the delight of advertisement directors working for the financial press—are taken as a yardstick then the mantle has now passed to Bahrain as the Arab world's leading marketplace. This might be disputed in Kuwait and claims can be argued for the rise of Amman and Cairo, but most observers agree that Beirut is unlikely to recover its pre-civil war leadership.

Indeed such a change would be severely hampered by the destruction of Beirut's commercial centre and the division of the capital into sectors controlled by rival leftist and rightist militia. It would be "like expecting the City of London to re-emerge in Belfast", one London merchant banker says.

At the same time Beirut's is not altogether a story of financial gloom. The ebullient Mr Assad Sawaya, Bankers Association president, the most frequently quoted spokesman for the local banking community, is only one of many Lebanese financiers who argue that things are not as black as they are painted.

They almost all point to the resilience in the Lebanese economy, largely the product of between $100m and $150m a month in expatriate remittances from Lebanese in The Gulf but also in Europe, West Africa, Latin America and Australia. This support has kept the balance of payments in surplus despite record deficits on trade and near anarchy in collection of customs receipts.

Remittances from the Lebanese professional and other white collar workers are supplemented by the earnings overseas of a number of reputable Lebanese owned and managed companies. It is doubtful, for example, whether Saudi Arabia yet has a contractor with a strong a track record as Consolidated Contractors International Company which is still Lebanese despite having moved its headquarters to Athens. The most impressive performance has been from the two airlines MEA and TMA, the cargo carrier, which are continuing to fly in the black despite war and steep fuel cost increases.

Total deposits in the banking sector, with allowances for movements in the Lebanese pound, were an encouraging $5,800m in June 1980 compared with just over $4,000m at the end of 1978 and $2,290m at the end of 1974. In terms of what is visible in the banking system this is actually a stronger position than that of some of the smaller Gulf states and points to the continuing worry of what to do with the money, since investment in productive enterprises is almost ruled out by the continuing mayhem of civil war, the eruption of Godfather-like feuds between rival militia chieftains and in the south the Israeli occupation of a cordon sanitaire where the United Nations observers are helpless to outlaw the rule of the Uzi.

In the circumstances it is hardly surprising that much of the remitted wealth has gone into real estate or speculation in foreign currencies particularly the dollar. By contrast with 1973-75 when Lebanese banks were in the forefront of a drive to attract the surplus being generated by the oil states of The Gulf, 1981 has seen more evidence of withdrawal. Crédit Libanais for example, which is owned by the wealthy Obegi family, declined to take part in the recapitalization of a UAE bank in January, leaving the door open to Kuwaiti investors to join the board of directors of the tiny Bank of the Arab Coast based in Ras al Khaimah.

Lebanon has suffered more than many other neighbouring countries by flight of funds into the dollar. In 1980 interest rates on dollar accounts seesawed between 16 to 20 per cent and 9 to 10 per cent. It has not always been easy for Lebanon to maintain a free exchange rate particularly when the Lebanese pound comes under pressure from panic flight of capital, but the monetary authorities have earned praise for maintaining exchange freedom from the International Monetary Fund among others. "Arguably if that went it would be the end of Beirut altogether as a financial centre, leaving the gunmen free to loot the banks", one expatriate Lebanese banker says.

Lebanese banks received a windfall from reaction to the Iran-Iraq war as nervous expatriates remitted extra money home. Their main problem is surplus liquidity some of which has been absorbed by the central monetary authorities issuing short-term, mainly three-month treasury bills. In the first half of 1980, the equivalent in Lebanese pounds of just over $200m was issued.

There have also been some innovations. The draft constitution of a Lebanese finance company to act as a discount house has now been approved by Banque du Liban (central bank) and about 30 banks agreed to subscribe to its starting capital of $2.8m. But was this a sign of returning confidence or just spare money needing to find a home?

Participation in the International Finance Corporation (IFC) was thought likely in the early stages but the IFC is now said to be "distancing itself from the scheme". That is yet another sign perhaps that Lebanon no longer finds it easy to get an international vote of confidence in its economy.

More successful was the arrangement for the first time in August, 1980, of a syndicated loan with interest based for the first time on the Beirut inter-bank offered rate. J Henry Schroder & Company, the Beirut subsidiary of the Schroder Group of London, prepared documentation and was joint lead manager for the $8.8m loan to build a shopping complex in east Beirut.

Site preparation started just before civil war broke out in 1974 and during the war the plans were shelved. It remains to be seen whether the inter-bank rate which at the time the loan was raised was about 8 per cent will be used since the banks have the option of converting to the fixed rate of 9 per cent. Like everything else when repayment starts (in December, 1982) it will involve a judgment about the political as well as economic future of Lebanon.

J.W.

The statue of the martyrs, pock-marked by rifle fire, in Place des Martyrs, Beirut, one of the worst-hit areas in the old city.

Jordan

International interest in Amman's stock exchange

The new international financial centre in the Arab world is Amman, capital of Jordan. Solid international banks are busy negotiating office leases, and looking into possible partnerships with Jordanian investment houses.

At the most recent opening there by Manufacturers Hanover Trust on February 7, Mr Harry Taylor, the vice-chairman, said: "We chose Amman as the best place for an office because of our close ties with Jordanian customers, because of the dramatic growth the city has seen in the last decade and, of course, because of the economic and political stability which has characterized Jordan for the past 30 years."

Since the relaxation of exchange controls in May, 1978, and June, 1979, Jordan's banking and financial sector has developed steadily. For some time now there has been speculation about the Amman becoming "a new Beirut".

The statistics are good. Since 1973 there has been a marked increase in foreign exchange earnings, largely because of remittances from The Gulf where Jordanian engineers, doctors and other professionals are in demand. In 1973 the country's foreign exchange earnings were $254.7m, but by September, 1980, they had swollen to $1,194.2m.

During the same period commercial banks' foreign assets rose to $1,122.3m from $6.56m, and their demand, savings and time deposits increased to $1,803.87m from $248m. The choice of 1973 as a yardstick is because that was the year the Gulf states' oil wealth began greatly to attract Jordanian involvement in their economies.

In 1979 the central bank imposed effective but not overbearing credit controls. The result was that minimum reserve requirements of commercial banks were raised by 1 per cent to 16 per cent for demand deposits, and to 13 per cent for savings and time deposits. During this period, commercial bank credits rose by a spectacular 29 per cent on the 1978 results, and reached $1,317m. Commercial bank deposits, too, improved dramatically—up 44 per cent to $1,778m.

The controls imposed by the central bank were successful, and liquidity growth was sustained at about 25 per cent a year.

It is against this background of sustained growth, economic and political stability, and interest in Jordan, that foreign banks have come knocking on Amman's door.

The most recent newcomers are France's Banque Nationale de Paris, Egypt's Arab African International Bank and the National Bank of Abu Dhabi. Another newcomer, First National Bank of Minneapolis, gained a foothold in the Arab world in 1979 when its office in Jordan was licensed. It joins the big United States banks there. Chase Manhattan is entering its fifth year, and one of its subsidiaries, Chase Manhattan Overseas Corporation is also doing business, as is Citibank.

Other foreign banks are also well established among them British, Austrian, Swiss and Lebanese. British banks are Grindlays, which has 12 local branches, and the British Bank of the Middle East, which has four.

Among the domestic commercial banks, the most spectacular success story has been the Arab Bank, which celebrated its fiftieth birthday last year. The bank ranks about fifth in the top 100 commercial Arab banks. It has nine local branches and 36 branches in Arab countries and Western Europe. Its newest office will be in New York, and will open this year.

The bank has an international record that any institution would be proud of, and is particularly busy in syndicated loans which reached about $949m at the end of 1979. It also has a strong network of subsidiaries in Switzerland, Nigeria, Morocco and Britain, and shareholdings in Jordanian, Hongkong, French, Saudi, Bahraini, West German and Luxembourg banks and institutions.

Other domestic banks also have an important role, and, on an international level, include the Bank of Jordan, Cairo Amman Bank, Jordan Gulf Bank, Jordan Kuwait Bank, Jordan National Bank, Petra Bank and the Syrian-Jordanian Commercial Bank.

In the specialized banking sector, Arab Finance Corporation (Jordan) is the most recent. It is an offshoot of the Luxembourg-based Arab Finance Corporation which is owned by Kuwaiti, Lebanese, Japanese, Saudi and other interests, and has shares in 12 Arab and international financial organizations.

But what perhaps best typifies the growing international interest in Jordan is its stock exchange, the Amman Financial Market. It recorded a trading volume of $32.5m in 1979, an increase of 182 per cent on 1978—its first year of trading.

By early 1980, monthly trading volume was running higher than the entire first year's turnover. Industrial companies in 1979 accounted for 42.6 per cent of the leading shares, and 43 per cent of the volume came from financial institutions.

Anna Krajewska
Middle East Economic Digest

Egypt

Pointer to the growing advancement of Cairo as a marketplace

Four Egyptian banks are now feeding in money rates to Reuters Monitor, the most modern system through which banks deal with each other. It is a development started only in November 1980 which points to the growing advancement of Cairo as a marketplace.

Only 18 months ago most Cairo bankers who live daily with a telephone system which is among the most frustrating in the world would have thought such a development impossible. "Like building the pyramids in a day", the adviser to a large United States bank says.

Reuters' arrival suggest a theme. The Egyptian banking sector will become much more international in the 1980s with the emphasis on investment, development and growth. Despite ruptures in the Nasser era, when some foreign banks declared they would never return, the present atmosphere of trust between Egyptian and foreign banks is "second to none", in the words of a London based merchant bank.

Much of this has to do with Egypt's improved balance of payments position, growing oil revenues and arguably the breathing space resulting from the bilateral peace with Israel. The rest of it has to do with the strength of the system at ground floor level.

The present system consists of the central bank, four state-owned public sector commercial banks—Bank of Alexandria, Banque du Caire, Banque Misr and National Bank of Egypt; 20 joint-venture commercial and investment banks, 54 branches and representative offices of foreign banks, seven specialized banks and 23 specialized financial institutions. Since 1974, President Sadat's "open door" policy of liberalizing the system has seen a steady increase in the number of banks wishing to establish themselves in the country or to do business with their Egyptian counterparts.

This policy of liberalization during the past seven years has resulted in rapid growth in the banking sector. For example, in terms of international liquidity, commercial banks' foreign assets have increased to $3,372m in July 1980 from $684m in 1974. The central *bank's foreign assets* have risen from $200.9m to about $1,211m during that period while commercial banks' deposits in 1980 stood at about $7,330 as compared to $1,523m in 1974. However, the big four public sector banks still tend to dominate the system although they are certainly outnumbered by the private sector.

Of the big four state-owned banks, National Bank of Egypt remains the largest and wealthiest. In 1979 its total assets/liabilities stood at about $4,200m. It ranks as about the tenth biggest bank in the Arab world in terms of its assets/liabilities and from 1971 to 1978 had total monopoly on all foreign trade.

Banque du Caire, whose assets / liabilities were $2,136m in 1979, concentrates on the service and construction sector of the country; Banque Misr, which has one of the largest branch networks, specializes in domestic trade and Bank of Alexandria retains its interests in the industrial public sector.

The big four have 50 per cent or 51 per cent stakes in important private sector joint venture commercial banks. Banque du Caire has 51 per cent in Banque du Caire et de Paris and 50 per cent in Cairo Barclays International Bank. Its foreign branch in Saudi Arabia was Saudiized in 1979 and has become the Saudi Cairo Bank. Banque du Caire has 40 per cent of the shares. It also has a major stake in the Cairo Far East Bank in Egypt.

National Bank of Egypt has 51 per cent in both Chase National Bank of Egypt and National Société Générale Bank. Bank of Alexandria has 51 per cent in European American Bank, in which the remaining 49 per cent is held by American Express International Banking Corporation. Banque Misr has 47 per cent in Misr International Bank and 51 per cent in Misr Romanian Bank. Arab Land Bank, established in 1947, is a joint venture between the governments of Egypt and Jordan.

The private sector houses two important international banks—Arab African International Bank (AAIB) and Arab International Bank (AIB). The former, established in 1964, is owned by Kuwait, Egypt, Iraq's state-owned Rafidain Bank, Algeria, Jordan, Saudi Arabia's Bank Al Jazira, and Qata. The bank has made its mark on the international scene through Euroloan syndications and through its extensive network of branches and subsidiaries. It has offices in Beirut, Khartum, Abu Dhabi, Dubai, Amman, London and New York. Its offshore banking unit operates in Bahrain. There are two major subsidiaries in Mauritania and Oman—Banque Arabe Africaine en *Mauritanie and Oman* Arab African Bank.

AAIB also has a large stake in the Luxembourg-based Arab Multinational Finance Company—which has a Cairo office and whose activities include trading in securities, stocks and precious metals. Smaller shareholdings are in the Hongkong based UBAN Arab Japanese Finance, UBAF Arab American Bank, the Industrial Bank of Jordan, the Housing Bank of Jordan and Tunisia's Compagnie Financiere Immobiliere et Touristique.

Arab International Bank, which is owned by the governments of Egypt, Libya, UAE, Oman and Qatar, has been trading since 1971. It has stakes in Egypt's Société Arabe et Internationale de Banque and in European Arab Bank (Brussels), in Belgium. Both AAIB and AIB predate Egypt's Law No 47 which opened the doors to liberalization, and thus tech*nically do not come under* the Egyptian courts' jurisdiction. They have also not been affected by sanctions resulting since the severance between Egypt and the Arab League after the Camp David accord and retain their Arab government shareholders.

The remaining private sector banks which have been formed in partnership with foreign banks include: Alexandria Kuwait International Bank, Misr America International Bank, Misr Iran Development Bank, Misr Romanian Bank, American Express Middle East Development Company, Société Arabe et Internationale de Banque, and Suez Canal Bank. Other private commercial banks include the newly established Al Watany Bank of Egypt, Delta International Bank and Mohandes Bank.

Islamic Banks have also been attracted to the sector: Dubai Islamic Bank has a *licence to operate in Cairo* and Faisal Islamic Bank of Egypt—a joint venture with Saudi Arabia—was established in 1978. Another Islamic bank, Nasser Social Bank, was established in 1972 and the Islamic Banks International Association has its head office in Cairo, with a foreign branch in Saudi Arabia.

Foreign commercial and investment banks from 19 countries operate in the country. The United States has most—nine: American Express, Bank of America, Crocker National Bank, Citibank, Chemical Bank, Chase Manhattan, Industrial National Bank of Rhode Island, International Finance Corporation and Manufacturers Hanover Trust. France is next with seven: Banque de l'Union Européenne, Banque Nationale de Paris, Crédit Commercial de France, Crédit Industriel et Commerciel, Crédit Lyonnais, Société Générale and UBAF.

West Germany has four: Commerzbank, Deutsche Bank, Dresdner Bank and Richard Daus and Company. The United Kingdom has three: Lloyds Bank International, Midland Bank and Morgan Grenfell. Switzerland also has three: Habib Bank AG Zurich, Crédit Suisse and Swiss Bank Corporation.

Anna Krajewska

North Africa

A desirable credit risk

The American hostage crisis and the role of the Banque Centrale d' Algérie (central bank) has enhanced the prestige of Algeria in international banking. As honest brokers exhibiting considerable financial skill in the complex transaction necessary to turn the American prisoners into "releasees" the Algerians have confirmed the status already established by the state banks and the major borrower Sonatrach—the hydrocarbons entity.

The benefit for the Algerians, particularly in goodwill from the United States, is certain to be reflected in more attention from the Export-Import Bank of the United States which deals with export credit and insurance guarantees. Already, under President Carter, Eximbank had in Algeria its biggest commitment in Africa north of the Limpopo.

This boost in Algeria's prestige comes when foreign banks in other respects have been experiencing frustration with the Algerian banking system. This may reflect some difference in philosophy—Algeria is, after all, in the socialist Arab camp and not well disposed by nature to the capitalist West. But specifically the difficulties recently have been *delays in letters of credit*, growing insurance fraud, and payments delays of up to three months on capital projects. The excellent response by the Algerians to the banking documentation on contracts for prefabricated housing after the recent earthquake was out of the ordinary.

Of the three Maghreb countries—Algeria, Morrocco and Tunisia—Algeria alone is now regarded by most lenders as a desirable credit risk. Lenders are, in fact, frustrated because Algeria has dropped right down the table of borrowers. It is thought in London that the Algerian state banks have large undrawn funds which were arranged over the past two years, and have no real need for new funds; though institutions such as the Banque Algérienne de Développement (BAD), whose role is to fund capital projects, are unlikely to stay out of the market for ever.

With the 1980-84 five-year plan under the firm hand of President Chedli now moving ahead, it is hard to believe the planners will resist for long the temptation of going to the market, even though the plan obliges them to use a combination of soft loans from Arab and international institutions and export credit. Foreign exchange reserves are indeed high at about $3,300m, but external debt is estimated at $19,000m and needs to be reduced.

It is this balancing act which has probably inhibited the Algerians from tapping the market for 10-year money, even when margins could be tight.

Morocco's problems by contrast are the opposite. A massive proposal for funds *in late 1980* by the Office Cherifien des Phosphates (OCP), which handles phosphare exports, got a lukewarm response in the market. London bankers said the amount at $250m was too big, and the margins were too tight. The transaction was completed just before Christmas at $170m after some heart searching by the large management group drawn from 10 countries

OCP has recently had sharp criticism from a World Bank report on Morocco which takes it to task for alleged "lack of long term planning". The report, which is the World Bank's first on the kingdom since 1965, is critical of a wide range of matters, but on one point at least it can be updated. On today's figures Morocco's hard currency reserves have risen to $700m from $270m in September,

There is certainly no lack of interest in lending to *Morocco, particularly for* short-term facilities. Al Saudi Banque, the Saudi-owned merchant bank based in Paris, is in the market with a $140m one-year line of credit for the Moroccan refining entity Samir and, although the facility does not carry any specific guarantee, the response was so favourable that the amount was raised from the original request for $100m.

Equally, Morocco's Banque Nationale pour le Développement Economique had a good response to a proposal for 30m Swiss francs, over one year, under a guarantee by the kingdom of Morocco. The bank made the most of its list of shareholders, including the Moroccan Government, Moroccan banks, private Moroccan interests and the World Bank through the International Finance Corporation (IFC).

The IFC regards Morocco as a country where the expansion of industry is being tackled with maturity; yet a salutary point in the World Bank report is that about $1,000m worth of fresh fish are lost each year because Morocco's antique fishing fleet cannot compete with foreign trawlers in its waters.

Tunisia's reputation for political stability has made it both an attractive borrower and given it a marginal status as an offshore centre. The first bank to look into these possibilities was Citibank of the United States, whose Middle East and Africa division head Mr Anthony Mantzavinos, *has said* after a recent visit that the Tunisians are expressing an appetite for loans in the 1982-86 five-year plan, as well as a desire to expand the role of offshore banks. Citibank was not only

Tunisia's main attraction as an offshore centre, apart from having many of the qualities of a provincial *French* town, is as a window on Libya. As it would be difficult in socialist Libya for an American bank to operate, Tunis is an obvious choice for dealing with Tripoli. The banking community in Tun*is* also includes ambitious and rising Arab banks, such as the National Bank of Abu Dhabi, which see a limited but important role for its Tunis operations.

Tunisia suffers from having a limited absorbtive capacity. This can be illustrated by the problems encountered by the Export-Import Bank of the United States in getting exporters to use a $100m credit agreed for the country in 1979. Another area of frustration was encountered by the Riyadh based The Arab Investment Company (TAIC), a pan-Arab-owned merchant bank, which wanted to back an industrial project, but found excessive bureaucracy and resistance to outside investment in some quarters.

John Whelan

The docks at Sousse, in Tunisia.

هكذا من الأصل

Libya

Yugoslavia is the privileged foreigner

Amid the upheavals in Libya's economic and social life brought about by revolutionary change in the past few years, two vital sectors of the economy have remained fairly free of interference—oil and banking. The banks and the oil companies were conveniently bypassed by workers who took control of all other businesses in 1978, in line with Colonel Muammar Gaddafi's call for Libyans to become "partners, not wage workers".

Despite almost the eradication of the private sector since 1978, the five domestic banks are flourishing. One of the largest is said to have recorded profits of about $67m in 1980.

The most important clients are the state corporations. One example is the General Corporation for Iron and Steel Projects which is building a steel works at Misurata costing more than [illegible]. Finance for the scheme is allocated in [illegible] plan. The allocation is picked up by the Heavy Industry Secretariat (Ministry) which passes it on to the corporation and into the bank. Much of the banks' activities consists of extending temporary overdrafts and opening letters of credits for such corporations.

Interest rates are fixed at 7.5 per cent for unsecured loans. Secured loans can carry a 7 per cent rate. To attract savings accounts, the banks will pay 10 per cent interest.

Largest of the five domestic banks is the National Commercial Bank, capitalized at $8.4m. It has 25 local branches and shares in the Luxembourg-based European Arab Holding and European Arab Bank in Brussels. Wahda Bank, the only Libyan bank with a head office in Benghazi, is a shareholder in Banque Arabe Internationale d'Investissement (BAII) in Paris and Compagnie Arabe & Internationale d'Investissement (CAII) in Luxembourg. The other domestic commercial banks are Sahara Bank, Umma Bank and Jamahiriya Bank.

All the banks were nationalized soon after Colonel Gaddafi attained power on September 1, 1969. At roughly the same time, the 11 foreign banks in Libya, mostly British, withdrew *their operations. The only* foreign bank allowed to open branches is Yugoslavia's Jugobanka which has a representative office in Tripoli.

Because all the banks' accounts have to be audited by the slow state audit department, the most recent figures available are those for the fourth quarter of 1978. These show the total assets and liabilities of the banking sector at $4,200m—7 per cent more than in 1977.

The chairmen and deputy chairmen of Umma Bank, Wahda Bank and Jamahiriya Bank were removed from their posts in mid-1980. Some of them were arrested in that year's anti-corruption drive and charged with "economic crimes". The drive is said to have netted about 1,800 people, mostly government officials alleged to have taken bribes from *foreign companies.* Most members of the banks' board of directors are appointed by the Central Bank of Libya. The board of each bank also includes two representatives elected by the bank's trade union.

Two non-deposit taking banks—Agricultural Bank and Industrial & Real Estate Bank of Libya—act as a *channel for* state investment in farming and small-scale industrial schemes. Industrial & Real Estate Bank had outstanding loans and advances totalling $154.5m in 1978 and Agricultural Bank $42.9m.

A third non-deposit-taking bank, the Real Estate Investment & Savings Bank, was set up in early 1981, with a $234m capital to provide interest-free housing loans to low-income families.

An important innovation in the banking sector was the formation in 1972 of the Libyan Arab Foreign Bank (LAFB) which operates exclusively in the international market. Capitalized at $84.4m it is generally recognized as one of the leading Arab banks. Its formation effectively ended all further opportunities for the domestic banks to invest in joint ventures abroad.

Since early 1980 LAFB has been chaired by Abu Bakr al-Sherif, a former economy secretary (minister). The bank has no overseas branches but is said to be close to setting up a representative office in a major Western financial centre.

LAFB's total balance sheet in 1979 was $2,585m—12 per cent more than the 1978 figure of $2,312.3m. Pre-tax profits rose by 48 per cent in the same period from $31.7m in 1978 to $47m.

In 1980 the bank participated in 20 international loans. It was lead manager *for three, including* a $1,500m loan to Italy's state-owned Ente Nazionale Idrocarburi (ENI) and a $65m loan to the Paris-based Union des Banques Arabes & Françaises (UBAF). It was also co-lead manager for a $200m loan to Banque Nationale de Yougoslavie. The bank managed three loans: $300m to Argentina's Yacimientos Petroliferos Fiscales; $50m to the Bank of Tokyo and $200m to the Central Bank of Brazil. Among the six loans for which LAFB was co-manager was a $50m loan to the European Coal & Steel Community.

LAFB has also been involved in overseas joint ventures such as the Arab Hel*lenic Bank in Athens, and* joint holding companies, particularly in Africa. The responsibility for joint companies is to be transferred to a foreign investment company soon to be set up by the Central Bank.

A prominent foreign bank in which Libya has a stake is Arab Banking Corporation, the largest offshore unit in Bahrain, with a capital of $1,000m. Set up in 1980 with Kuwait and Abu Dhabi, ABC is headed by Abdullah al-Saudi, the former chairman of LAFB. Another foreign venture is Arab International Bank, capitalized at $100m, of which Libya owns 28.7 per cent. Despite the bad relations with Egypt, the Egyptian Government is a shareholder in the bank and the three Libyan directors of the bank are based in Cairo. Much of the credit for non-interference in the banking sector is said to lie with a senior Libyan aide, Staff-Major Abdussalam Jalloud.

Closely monitoring the banking system is the Central Bank which reported total assets and liabilities of $15,561m in October 1980. The bank is responsible for investing Libya's large foreign exchange reserves which, excluding the value of gold holdings, were $6,624m at the beginning of 1980.

In a government reshuffle in January 1981, Kassem Sherlala, the governor of Central Bank, was moved to head the Treasury Secretariat. The new governor is Rajeb Misellati, the former deputy-governor.

One problem facing the Central Bank is the vast amount of currency in circulation. This was put at $2,525m in October, 1980, a figure that would have been realistic enough at the time of the prosperous private *sector in the early 1970s* but which is now considered to be more than twice as much as is necessary for Libya's 3,200,000 population.

Attempts have been made to reduce the amount of currency, apparently with little success. The most recent was a Government directive issued in February, 1981, urging people to use *cheques or bank transfers* when making payments of more than $234.

The currency was reformed in May 1980 and people were given a one-week limit to change old money for new. As it turned out many Libyans were keeping substantial amounts of savings at home and fearing that questions might be asked about how they had received the money, they destroyed large quantities of cash.

Today, rather than build up savings in the bank, many families prefer to spend their money on such items as cars and furniture. It is not uncommon for each member of a family to own a car. Since the currency reform, individuals may draw a maximum of $3,377 in cash every 15 days. The purchase of gold is severely restricted. Officially, only the state is allowed to sell gold, and even then only as jewelry for special occasions.

Michael Petrie-Ritchie
Middle East Economic Digest

Aid

Opec gives much more than rich nations

In times of deepening recession and big public spending cuts, Western governments can reduce foreign aid commitments with little opposition at home. Pressure groups are alert to what domestic cuts mean in lost jobs and wages, whereas big trimmings of foreign aid are unlikely to upset too many voters.

Although there are aid lobbies in many donor countries, it would be misleading to assume that *they have* sufficient power, or wide enough public appeal, to enable them to enforce their views.

Only a few weeks after moving into the White House, President Reagan announced that he would cut the 1981-82 United States foreign aid bill by at least one tenth despite strong opposition from Mr Alexander Haig, the Secretary of State.

Another donor, the United Kingdom, last year decided to cut aid by 16 per cent in real terms in the four fiscal years to April 1984.

While the prospects for restoring Western aid, let alone increasing it, look grim, governments in the West and Japan are now under increasing pressure from the Brandt commission, whose report, *North-South: a programme for survival,* published almost exactly a year ago, says industrial nations must recognize that their economic future, and even their survival, can no longer be separated from those of the Third World nations. The report, which has produced a wide and often heated debate in the West, emphasizes that it is no longer possible to maintain a world economy that has long been working to the Third World's disadvantage.

Unlike its predecessor, the Pearson report *Partners in Development* (1969), Brandt's report says foreign aid alone would not resolve the pressing problems in many Third World nations and proposes several more specific initiatives to overcome these problems and to create a better and integrated world economy.

The commission says that although the West has been providing large sums in absolute terms, its aid still stands at only half the 0.7 per cent of gross national product which has been the United Nations' target for the past decade. It now proposes that this target be restated by 1985 and should reach 1 per cent by the turn of the century.

Such rates, seen by many Western politicians and bankers as highly optimistic, have long been surpassed by many Arab countries, some of which, according to OECD figures, have recently contributed as much as 16 per cent of gnp. Some Arab states have been giving, even in absolute terms, much more than the richest countries in industrial Europe.

Considering that Arab aid is almost entirely financed from a non-renewable income (from sales of depleted oil and gas stocks), their record looks even more impressive. Opec countries are frequently criticized in the West for not giving enough aid; but, apart from the record, what many critics ignore is that these countries *are developing nations themselves,* with a combined gnp not much greater than that of Italy, for example.

Opec aid, which is almost all Arab, has in recent years been at the level of about 3 per cent of gnp. That is about 10 times the combined rate for industrial nations, with whom—many think—the responsibility for transferring wealth to developing nations should lie.

While a substantial part of industrial nations' aid goes to countries not usually considered as developing ones (such as Israel, Greece, Spain, Portugal and other south European states), the bulk of Arab aid goes to the least-developed countries in Africa, Asia and Latin America. Besides bilateral aid, several Arab countries have also been channelling huge sums into world and regional agencies such as the World Bank, the International Fund for Agricultural Development (IFAD) and the International Monetary Fund.

No donor can claim that most aid, whether coming from Arab states, the West, the East or even from agencies such as the World Bank and the IMF, is entirely free from some political motives. One important feature of Arab aid, however, is that commercial strings are seldom attached.

This is simply because *Arab countries, as part of* the Third World themselves, cannot supply equipment or technology to recipients and therefore there is almost no return of disbursed funds to the donors. Some Arab aid agencies now claim that they are indirectly subsidizing the West and Japan, from which most recipients buy capital goods for projects financed by these agencies.

The Opec Fund for International Development (OFID), set up in Vienna by the organization's 13 members in 1976, had up to December 1980 committed $1,490m, of which $904m was in 211 loans to 76 developing nations, all outside Opec.

Opec finance ministers meeting in Vienna on January 28 agreed to double to $500m the amount of disbursements in 1981 and to raise this figure to $700m next year. The fund's capital has been increased several times and now stands at $4,000m.

A few days before the Vienna meeting, at the Taif Islamic conference attended by 42 states, Arab oil exporting countries announced that they would allocate an additional $3,000m to help poorer Muslim states worldwide. Besides OFID, whose resources are almost all Arab, several regional agencies have been set up in the past eight years. Most of their disbursements go to non-Arab states.

Atef Sultan

Special Correspondents of 'The Times' present profiles of three major Middle Eastern banking organizations

Branching draws scattered market

From its headquarters in the glittering black Khashoggi building on Riyadh's airport road, the Saudi American Bank is directing the initial phases of an expansion programme. The first concrete signs of its plans to increase services in the commercial centres emerged in February, 1931, with the opening of a new branch in Jiddah; and by the end of the year Saudi American will have four branches in both Riyadh and Jiddah, and possibly one each in Al Khubar in the Eastern Province, Abha in the south-west, and Burajdah in central Arabia.

Forming branches is the necessary first step in winning a bigger share of the Saudi banking market scattered over a wide area. For Saudi American, this also presents an opportunity to make up lost ground; it was the last of seven new Saudi-controlled banks established since 1975. In Saudi American's case it entailed issuing shares in the Saudi operations of Citibank of the United States to a group of *sponsors, and to the public.* Citibank retained 40 per cent of the new bank's share capital.

Saudi American executives say neither Citibank nor the Saudi Arabian Monetary Agency (SAMA) blocked the transformation. However, it is evident that negotiations, which got under way in mid-1978, were affected by two major issues.

The first was the general principle of how Citibank's Saudi assets should be valued. Following the pattern established in the six previous agreements with foreign banks, SAMA pressed for share capital to be priced according to the book value of the bank's assets. Citibank found it difficult to accept this valuation, which tended to ignore the earning power of the business.

Nevertheless, in March, 1980, the public was invited to subscribe for Saudi American shares at the lower book valuation price—which it did, massively. "The people who bought the shares knew the kind of deal they were getting". Mr Sheldon Boege, a Saudi American Bank director says. "They oversubscribed by about 10 to one". The subsequent massive rise in the share price on the unofficial secondary market has now become part of Saudi banking history.

The second issue involved Citibank's general business philosophy. The process known as Saudi-ization would result in the bank retaining a stake in a business that it did not control. This was unique. However, the prospect of continuing to do business in Saudi Arabia's rapidly growing economy appears to have outweighed other considerations. On July 12, 1980, Citibank's Saudi operations became the Saudi American Bank, with the United States bank continuing to provide management and technical services on an eight-year contract.

Freed from the burdens of negotiating with SAMA, Saudi American concentrated on exploiting the opportunities offered. Lending could be expanded in proportion to the trebling of its capital to 300m rials. New branches could be planned *outside Riyadh and Jiddah* —a privilege granted only to Saudi-ized banks.

Even so, moves to set up new branches have been cautious. The banking habit is new in Saudi Arabia, and the lack of recent and reli*able figures makes forecast*ing where new business is likely to emerge difficult and risky. The guiding principle at this stage is to set up branches where consumers go both to buy things and do business.

The bank's overall strategy is to concentrate on developing small business customers, which number close to 40,000, according to recent Ministry of Commerce *figures.* "*This is a sort of* balance sheet-oriented strategy", Mr Boege says. "Our intention is to increase our liability side by going into the relatively more liquid sector of the economy: the retail merchants, the small *manufacturing companies,* the service companies. So it's building up the liabilities side of the business to match our assets."

To help to penetrate this sector, Saudi American plans to introduce this year the Interdata banking system developed by Citibank, and marketed widely in North America. This gives Saudi American Bank depositors immediate access to their accounts in any of its branches. They will be *able to send instructions for* letters of guarantee to be opened, and other financial instruments to be issued. The system, unique in Saudi Arabia, will, it is hoped, give the bank a technical lead.

*The bank is also develop*ing its corporate services for larger customers. Its merchant banking division, founded in November, 1980, has participated in a number of rial loan and guarantee syndications. However, it has tended to steer clear of medium-term financing packages. "We found it more appropriate to our business to give short-term finance or trade finance and working capital finance, than to go into medium-term financing for manufacturers", Mr Boege says. A move into the Euromarkets is also unlikely before the end of the third Saudi plan, which runs from 1980 to 1985.

Saudi American will continue to maintain a strong interest in Saudi Arabia's interbank market in which it is probably one of the largest participants.

Prospects are good for Saudi American. A strong movement out of non-interest-bearing into interest-bearing deposits is detectable among the Saudi public, indicating growing awareness of what the banking market offers. This could lead to funds flowing out of the old-established National Commercial and Riyadh banks into newer and more aggressive ones.

Edmund O'Sullivan
Middle East Economic Digest

Institution with unique role

Senior executives of the year-old Arab Banking Corporation (ABC) say it is not just *another* bank but an institution with a unique purpose. ABC's founders believe that the future of Arab banking world wide lies in the creation of one or two big, fully Arab investment banking institutions, attracting and directly channelling a major part of Arab surpluses.

A "first generation" of Arab and Arab-European consortium banks was set up in the 1970s, each of which could only hope to achieve specific but often limited targets. These banks have done well and together have made a considerable impact on main world money markets. None of them alone, however, had sufficient resource or the structure to make its presence a major force in financial centres.

Since the sharp rise in oil prices in late 1973, Arab bankers had been considering what role they should play in managing Arab sur*pluses. As a result a* "second generation" of Arab banks has arisen and has given Arab financial institutions a firmer place in world money markets, moving into a higher level than that achieved by the past *generation.* It was ABC, "the bank of the banks", as it is often called by its founders, which was created to lead the second generation.

The two generations vary considerably. Unlike the consortium banks of the 1970s, which were mostly set up by Arab and European partners, ABC is entirely Arab-owned. Again, while the former are mostly managed and staffed by both sides of shareholders, ABC is managed only by Arab directors and its staff is mostly Arab. Although the first generation banks have lead-managed or managed many Euromarket loan and bond issues, they appeared on tombstones mostly as participants. In contrast, ABC concentrates heavily on lead-managing, managing and co-managing such issues and it seldom appears as just a participant.

With headquarters in Bahrain, one of the world's biggest offshore banking centres, ABC was born on January 17, 1980. It started business the following April and was formally inaugurated only a few weeks ago. It has just opened a London representative office at Morgan House, in the heart of the City. A New York office will be opened this year and another, in the Far East, will follow soon. *The London office is ex*pected to become a branch by the end of the year and the same is hoped for the Wall Street office.

ABC has an authorized capital of *$1,000m,* about $50m more than the combined capital of all Arab-European consortium banks based in Europe. Its issued capital totals $750m subscribed equally by Kuwait's finance ministry, Libya's secretariat (ministry) of treasury and the United Arab Emirates' Abu Dhabi Investment Authority (ADIA). The remaining $250m of unsubscribed capital is divided into shares each with a nominal value of $100, which can be taken *only by Arab* investors.

ABC has quickly made remarkable progress. Euromarket loan issues lead-managed, managed or co-managed by it were worth $4,640m in the first six months of operation. These included, for example, a $500m issue for Italy's Ente Nazionale Idrocarburi (ENI), $1,100m for Belgium, $250m each for Ecuador, National Bank of Yugoslavia and the African Development Bank and $300m each for Bahrain, Argentina and the Corporation Venezolana de Fomento. Among similar issues syndicated in the past two months is a $200m one-year credit for Pakistan. Issues to *be announced soon include a* $150m Eurocredit for Hungary, to be syndicated entirely among Arab related banks and offshore banking units in Bahrain.

Not many banks can make a profit in the first few months of their lives. Yet, ABC managed to trade at a profit of $45m in the six months to December 1980. In the same period, assets jumped from only $355m, to *$1,950m and deposits from* nil to $1,500m.

ABC's capital structure is reflected in its top management team which comprises nine directors. The chairman is Mr Abdel-Wahhab Al-Tammar, who has for long been in charge of the 80 per cent government-owned Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC), a well-established name in the Euromarket.

Mr Abdullah Ammar Saudi, ABC's vice-chairman and chief executive, is the former chairman and general manager of the Libyan Arab Foreign Bank (LAFB). Mr Saudi, now only 43, has in the past 10 years proved himself an aggressive banking entrepreneur. He was, for example, the chief architect of LAFB's spectacular Fiat move four years ago, making Libya the second-biggest shareholder in one of Europe's largest companies.

Atef Sultan

No business is ever too big here

It is said of the Arab Bank that it is the only local bank in Jordan where a customer is never turned away because his demand is too big. Founded in Jerusalem in 1930 by Mr Abdul Hameed Shoman, one of the first Arab entrepreneurs of this century, with a capital of *£P15,000* (*£15,000* at the time) it now *ranks* 227th among the top 500 international banks in the non-communist world.

The Arab Bank is *the giant* of Arab private banking, with about 50 branches, *assets exceeding JD1,250m* (£2,000m), a balance sheet total of JD2,000m and an operating income of JD106m at the end of 1979. Figures for 1980 are not yet available.

Born about 1890 in Beit Hanina, a small town near Jerusalem, Mr Shoman left school at the age of seven. His eldest son Mr Abdul Majeed Shoman, the present chairman and chief executive of the bank, a silver haired and gracious man in his late sixties, recalls: "My father did not even have a preliminary education.

"He knew how to read and write only because he went to school in the mosque, where they used to *read the Koran. Because he* was badly treated by the shaikh, who used to beat him, he left and went to work in the family stone cutting business." The standing joke, originated by Abdul Hameed himself, is that he was a graduate of Beit Hanina university.

Abdul Hameed showed early enterprise even in the stone cutting business. In 1911 he emigrated to the United States to seek his fortune; having arrived in New York with $32 in his pocket he returned to Palestine in 1929 after making a small fortune in the garment industry and founded the first Arab bank in Palestine.

Abdul Majeed Shoman also recalls that his father wanted to start a bank in the United States as early as 1921, and to open branches first of all in Palestine. Attempts to get Arab immigrants to the United States to subscribe to the project eventually fell *through, and another plan in* 1928 to establish an Egyptian Palestinian bank failed also, after the Egyptian subscribers pulled out because of troubles between Arabs and Jews in Haifa, and Palestinian subscribers did not want to embark on such a project alone.

Abdul Hameed, however, insisted on starting the bank, and put up the capital from his own funds. Since the bank was set up as a private, limited company, there had to be seven shareholders. "So my father picked six of his relatives and friends as shareholders. He gave them a few shares. There was one man he gave a loan to so he could buy four shares in order to complete the seven shareholders", Abdul Majeed explains. The bank opened in July, 1930.

Abdul Majeed went to the United States in 1926, at the age of 12. He attended a private school outside New *York, then went to New York* University where he graduated in economics in 1935. He trained in one of the banks in New York, then returned home, arriving in 1935 in the middle of a general strike in Palestine.

The strike was organized by the Arabs to protest at the rate of Jewish immigration, and lasted six months. Abdul Hameed Shoman was placed in detention camps twice because of his support for the Arab nationalist movement, and in his absence Abdul Majeed ran the bank by himself. After that he helped to run the bank as deputy chairman until he took over when his father died in 1974.

Abdul Hameed Shoman guided the bank *for more* than 40 years through one crisis after another until it had branches in nearly all Arab countries except socialist Algeria. It weathered a run on banks in Palestine in 1935 when *Mussolini occupied Abys*sinia; it endured the strike of 1936 and another run on banks when the Second World War broke out; it survived the loss of two branches in Haifa and Jaffa when Israel was established in 1948; the branches in Egypt, Syria, Aden, Sudan and Libya were nationalized between 1961 and 1970; and its branches in Nigeria, Morocco and Saudi Arabia were partly taken over. Yet the bank has kept on growing under Abdul Hameed and Abdul Majeed and the deputy chairman Mr Khalid Shoman, the founder's younger son.

"We maintain at all times a cash and liquid assets to deposits ratio of over 60 per cent, because we are working in an area that is unsettled and has been unsettled for some time", Abdul Majeed says. "We ourselves, the Shoman family, did not place any interest in any other business, such as buying land *or buildings. Everything we* gained we employed again in the bank. We kept a good reserve, and good capital. That's how we kept the bank strong, and we worked hard: we had to work 18 hours a day at times."

Because of its cautious policy, the bank has been able to pay back its depositors on demand. It won the goodwill of its clients during the strike of 1936 by not pressing its debtors while *paying its creditors. But the* crowning touch came in 1948, when the bank paid back its depositors in the Haifa and Jaffa branches, whose assets were frozen, through its outlets in other Arab countries, while other similarly affected banks did not begin paying back until 1954. During the last Lebanese civil war the bank's branch in West Beirut stayed open and depositors who could not reach the bank's headquarters in the central area, which had *turned into a battle zone, had safe access to their funds.*

Another reason for the bank's success was that it spread from country to country. When the bank was hit by the 1948 Arab-Israeli war it already had 12 branches outside the area which the Arabs lost and the nominal capital had risen to JD1m. Deposits in Palestine had reached JD6m, of which JD4m were paid to the depositors on demand. The Amman branch, established *in 1934, is now the bank's* headquarters.

After the first nationalization in 1961 when the bank lost 15 branches in Syria and Egypt, which then formed the United Arab Republic, it began to look at possibilities in Europe. In 1962 the Arab Bank Overseas was founded in Zurich, and the next year opened in Geneva. Although *it is a separate company with* a separate board, it is owned by the shareholders in the Arab Bank.

In 1962 the bank also went into Nigeria. As for Europe, it now has three branches in London, one in Paris and another in Athens. It also owns the Arab Bank Investment Co in London, and plans to open in two other European capitals and in New York. In addition, it has interests in several consortium banks abroad.

Arab Bank Overseas specializes in portfolio management. The Arab Bank Investment Company is ex*pected to grow into a full-*fledged merchant bank, but the Arab Bank remains primarily a commercial bank. It has, however, been in the European market for four years, with two outlets working in the Euromarket: and it has also financed development projects in the Arab world through loans to Arab governments and public corporations and agencies.

The bank has about 3,000 shareholders, who own 1,100,000 shares, which fetch 12 to 13 times their *nominal value of JD10.* Although the bank's net profit in 1979 was JD14.3m, only JD2.5m was paid in dividends.

There was a share split four years ago, and another is in the offing. At the last extraordinary general meetin, the board of directors proposed raising the paid-up capital to JD22m by transferring JD11m from the voluntary reserve and issuing one extra share to each *shareholder. This now awaits* government approval.

Jenab Tutunji

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